TIMELINESS AND QUALITY OF CLAIMS PROCESSING

HEARING

BEFORE THE

SUBCOMMITTEE ON
COMPENSATION, PENSION AND INSURANCE

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

MAY 8, 1991

Printed for the use of the Committee on Veterans' Affairs

Serial No. 102-11

U.S. GOVERNMENT PRINTING OFFICE
45-744 WASHINGTON : 1991

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-035599-0

H761-19.

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TIMELINESS AND QUALITY OF CLAIMS PROCESSING

WEDNESDAY, MAY 8, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION, PENSION,
AND INSURANCE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to call, at 9 a.m., in room 334, Cannon House Office Building, Hon. Douglas Applegate (chairman of the subcommittee) presiding.

Present: Representatives Applegate, Penny, Stump, and Spence.

OPENING STATEMENT OF CHAIRMAN APPLEGATE

Mr. APPLEGATE. Good morning to everybody. The subcommittee will come to order.

As you know we are meeting this morning to hear the testimony regarding the operation of the Veterans Benefit Administration with emphasis on the quality and timeliness of the processing of claims of compensation, DIC, and pension benefits.

According to the VA and the major veterans organizations, the trend of increasing processing time for veterans' claims for compensation, DIC, and pension is continuing. The VA tells that this is due, in part, to additional burdens Congress has imposed on the Department to provide better notification to claimants, implementation of provisions under the Omnibus Budget Reconciliation Act of 1990, and to an increasing percentage of relatively inexperienced adjudicators.

In my view, inadequate levels of staffing continue to be the main culprit for these declines in performance, but, if the VA is having trouble in attracting and maintaining qualified people to do the job, we may have to redirect our attention to providing enhancements for these individuals.

I remain concerned that VA is not moving fast enough in terms of modernization to deal with the problem of timeliness. It is encouraging to hear that implementation of various modernization initiatives is progressing, but I think we need to see more action now. We will continue to do what we can to help out in maintaining adequate staffing levels, but more needs to be done.

I believe more innovation is going to be required along with better use of VA personnel and facilities. Certainly, a great deal of attention has already been given as to ways to streamline the proc-

ess, but we cannot afford to continue to rely on promises of future improvements which all too often seem to disintegrate.

I want to acknowledge the continuing participation of those service organizations who are represented here today and who have contributed to the resolution of the problem. I look forward to hearing from each of you.

Before we proceed, I want to recognize the Hon. Bob Stump for any remarks he may care to make.

Mr. STUMP. Thank you, Mr. Chairman. I look forward to working with you and others on the committee. Thank you for calling this hearing today about the problems we have had in processing claims within the Veterans' Administration.

I have a statement for the record. Other than that, I will just wait until Mr. McEwen gets here, thank you very much.

Mr. APPLEGATE. Thank you very much, Mr. Stump.

[The statement of Hon. Bob Stump follows:]

OPENING STATEMENT OF HON. BOB STUMP

Thank you, Mr. Chairman.

As the new ranking member of the subcommittee, I am looking forward to working with you and the other members.

I want to commend you for calling this hearing today on the timeliness and quality of claims processing within the Veterans Benefits Administration.

I, also, wish to welcome our colleague, Bob McEwen, and to thank him for his continued concern about the length of time it takes the VA to process quality claims decisions. As a former ranking member of this subcommittee, Bob shares our frustration at the apparent inability of the VA to effectively address this issue.

Hopefully, today's witnesses will be able to provide us with an update on whether the management efficiency pilot program and other managerial initiatives are improving the responsiveness and delivery of services to veterans.

We need to better gauge how close management initiatiives can bring us to acceptable performance, and what additional resources are needed to complete the job.

Thank you, Mr. Chairman.

Mr. APPLEGATE. Our former colleague has not arrived yet. His staff person is here. So we will go ahead and proceed.

General Gray, why don't you come up to the witness table. We will begin with you. I think as we were talking earlier, I think that you said that your first time that you appeared before the committee you appeared before our committee.

You have made the cycle probably going through all of them. It is good to have you back. We welcome hearing from you. Would you introduce those with you?

STATEMENT OF GENERAL D'WAYNE GRAY, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY MRS. RHODA MANCHER, ASSISTANT CHIEF BENEFITS DIRECTOR AND MR. J. GARY HICKMAN, DIRECTOR OF COMPENSATION AND PENSION SERVICES

General GRAY. Thank you, Mr. Chairman. What I did not mention was that the first time I appeared before this committee my hair was black. That is what the first year has done to me.

Mr. APPLEGATE. You have been coloring it, have you?

General GRAY. No, sir. It is good to be back sir.

I am accompanied by Rhoda Mancher, Director for Information Resource Management and Gary Hickman, Director of the Compensation Service.

Mr. Chairman, I have submitted a formal statement. With your concurrence, I have a short opening oral statement that I would like to make unless the other members have statements.

Mr. APPLEGATE. Your formal statement will be made a part of the record. You may summarize as you see fit.

General GRAY. Thank you, sir.

I was pleased in hearing your opening remarks, Mr. Chairman, to hear you refer to the importance of quality and timeliness in that order because quality is the absolute that we must remain focused on. In a move last year to gain some sort of handle, a firmer handle on our quality, as you know, we instituted a new system to learn at what rate we make erroneous payments.

Our first full run of that system was completed last month. It showed an accuracy rate of over 97 percent. We are pleased with that but we are not satisfied. Over time I expect it to improve. Those last few percentage points will be difficult to achieve and it won't happen quickly but through better training and better procedures improvement remains possible.

Timeliness is a little more difficult but through training, modernization of our data handling capabilities and though improved procedures we can shorten the time that it takes our adjudication divisions to perform their parts of the process. Forces currently in some cases perhaps permanently beyond our control have an impact on timeliness.

As you implied in your opening statement our first need is a stable, well trained force of a size probable to the task to be performed. The members of this committee are well aware of what has happened to staffing in the Veterans Benefits Administration over recent years. Since 1983 and 1988 the adjudication division lost 50 percent of its FTEE's. The number of trained adjudicators was reduced by 22 percent. The trim line has reversed since 1988 but the impact remains.

Because unlike our colleagues in the health services, e.g., we cannot recruit qualified adjudicators from an existing pool of trained practitioners. One learns to adjudicate claims within VA and that takes time as well as money. Right now as you implied only 55 percent of our adjudicators are rated as fully trained. The impact on timeliness is understandable particularly when one also considers that trained adjudicators must be diverted from regular duties to assist in the training of newer hires.

You know also of our adjudication academy and we are pleased with that product. We will expand its usefulness as soon as we can. Also in the future is our modernization program. Mrs. Mancher can describe that in whatever detail the committee desires.

At this time I can say it promises the most dramatic help in improving VBA's portion of the timeliness problem not to just have us perform procedures but to allow us to improve procedures to make the whole veterans benefits delivery process simpler and more efficient. As it is, Mr. Chairman, the good people in VBA are making some progress.

In the first 4 months of this year they have reduced the number of pending cases by 17,000 and the number of cases pending longer than 6 months by about 2,500. We are proud of those modest gains but some intangible problems remain.

It still takes us too long to get medical examinations for our veterans claimants and much too long to get service medical records for those claimants. With every change to the veterans' package, even improvements, the staggering complexities of the process becomes more complex and in some cases the basic workload has also increased.

We don't expect to defeat these challenges quickly, Mr. Chairman, in spite of your impatience and mine, but we will defeat them. It will take a lot of work, a lot of imagination and your help and the help of the Congress but we are going to make it.

We are here to try to answer your questions or those of the other members of the committee.

[The prepared statement of General Gray appears on p. 29.]

Mr. APPLEGATE. Thank you, General Gray. Thank you very much for your statement.

At this time if you will bear with us, Mr. McEwen has come in. I am going to ask him if he would want to make his statement beforehand because I know his time is very valuable and he has other committees to go to.

Mr. MCEWEN. I would be honored.

Mr. APPLEGATE. It is good to have Bob back. He is my neighbor in Ohio. He is a very good friend to the vets even though he does not serve on our committee any longer. But he does serve on the very important Rules Committee and he will be able to help us in getting our important legislation out.

It is always good to have you back, Bob.

Mr. STUMP. I would like to welcome Congressman McEwen back, too. I know he has led the fight to cure these problems for years and shares the same frustration that we do. Welcome back, Bob.

STATEMENT OF HON. BOB MCEWEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. MCEWEN. Thank you, Mr. Chairman and Mr. Stump, it is a job to be back and to be with you. Thank you for these kind words. I knew I would miss serving on the Veterans' Affairs Committee. It was a major part of my service in the Congress. I covet this opportunity to be with you. Thank you for the opportunity to testify and for your holding these hearings.

As you may know, I have become increasingly frustrated with the level of service accorded to veterans who file claims for benefits.

For a number of years VA officials have testified that claims processing timeliness and quality was not as good as they would like. Yes, there were problems—the face an admittedly enormous managerial and administrative task. Furthermore, staff and resources for claims processing was being cut. However in the end, they said, "don't worry," they were working on the problems—productivity and efficiency would go up. The VA would do more with less—and the situation would be much improved in 6 months or a year.

Unfortunately, while the VA's story has stayed the same, for the veteran in need of service, the timeliness problems have only gotten worse: Some figures: 1979—which, by the way, was the year

that compensation, pension and education staffing cuts began in earnest, the VA set some reasonable timeliness standards.

The standard for initial compensation claims was that 75 percent would be completed within 75 days, and 98 percent would be completed in 180 days.

1980—let's look at results. Eighty percent of original claims were completed in 180 days. They said they would get better.

1985—75 percent were completed within 6 months.

1990—from 1985 to 1990 the decline in results was consistent and steady—with results reaching 67.8 percent completed in 6 months.

1991—for the first half of fiscal year 1991, 61.4 percent were completed in 180 days.

The 1990 and 1991 figures are even below the VA's minimum acceptable level of 69 percent, along with not even being within shouting distance of the long forgotten goal of 98 percent. That 98 percent figure a goal the way things have been going—maybe a dream is more appropriate.

This level of service is neither what veterans deserve nor what this committee expects the Veterans Benefits Administration to provide. It is interesting to note that the Social Security Administration, by regulation, has established timeliness standards for initial disability claims processing time. The regulatory target is 37 days, and the minimum acceptable standard is 47.5 days. These numbers are interesting, but there is certainly another way to evaluate the veterans' claim processing system.

As every Member of Congress knows, the American citizen is remarkable in his ability to report on the efficiency with which the Federal Government operates. They do so daily by phone, fax, letter, telegram, overnight mail and a host of other means. Many come right to our offices, or stop us on the street, to let us know what they think of the way federal programs are being administered and are affecting their lives.

Of all the reliable sources of voter discontent and agitation, I have found that no subject generates as much communication or frustration as the veterans' claims system. Our offices bulge with cases of veterans who are awaiting the resolution of their claims. Unfortunately, measuring the percent of claims handled within a certain number of months ignores the length of time after, say, 6 months that the other claims exist. We increasingly hear from veterans who have not been given a decision in a year, or a year and one-half. Files and cases delayed, misplaced, lost, sent to another agency or forgotten. Some of those veterans will not live long enough to see their cases resolved.

The continuing erosion of adjudication timeliness and quality cannot be permitted to continue. There is a point beyond which needy veterans, survivors and dependents should not be required to bear the entire burden of protracted delays in deciding their entitlement to authorized benefits and services.

Therefore, last fall, I decided that rather than just discussing this stubborn problem, it was time to enact a law to require the Department of Veterans Affairs, DVA, to do whatever is needed to speed up the processing of veterans' claims. I introduced the Veterans' Claims Administrative Equity Act of 1990.

The "Veterans' Claims Administrative Equity Act of 1991" has been reintroduced as H.R. 141.

It is my belief that the veterans' claim problem has not been a case of missed targets, because there have been no minimum satisfactory standards for which to strive. It is common sense that when you don't know what you are aiming for, you are probably going to miss the target. This includes a target for claims processing.

Therefore, rather than attempt to micro-manage the Veterans Benefits Administration, my legislation would establish very reasonable timeliness requirements for the VBA—something serious to let them shoot for.

My goal is to establish a standard for every initial claim for benefits to be decided in 180 days from the date filed. That is not unreasonable. Furthermore, when initial claims are denied and the claimant files a Notice of Disagreement, the Secretary of Veterans Affairs would be required to certify the case to the Board of Veterans' Appeals within 180 days. Throughout the process, the DVA would not be held accountable for delays caused by the claimant, only those within the Department.

The bill does have teeth. It establishes incentives for the Veterans Benefit Administration to handle claims efficiently by providing for interim benefits paid to claimants in cases where the VBA could not meet the deadlines I just outlined. If the claim is ultimately decided against the veteran, any interim benefit paid to a veteran would not be subject to recovery by the Department. This small accommodation by the government cannot fully compensate for the uncertainty and hardship accompanying the veteran's long wait for service. Of course, if the claim is accepted the interim benefits would be counted toward the retroactive payments of the claim.

It is time for the Congress to say in a simple and direct way what the minimum level of service that can be provided to veterans. Furthermore, the creation of serious standards at the different levels of the claims process has tremendous management and oversight potential. Letting the VBA use the existing resources to meet the targets is what management is all about. Both Congress and the VA will have a better understanding of where the bottlenecks are—and Congress can then adjust the standards if they cannot reasonably be met.

Mr. Chairman, this measure is based on the basic principle that justice delayed is justice denied. I certainly appreciate this opportunity to address the subcommittee, and I look forward to working closely with you, and the rest of the subcommittee, in coming months to enact claims timeliness legislation that will address the problems faced by veterans.

Mr. APPLEGATE. Thank you, Bob.

I understand the frustration as well as all of us and the vets certainly go through when they don't see timeliness which I think is on a level with quality, and you are working within the 180 days. You have suggested interim payments. You say no recovery would occur, so there would be a cost factor. Have you had any kind of analysis made based on the other figures? I think the numbers that you quote are probably pretty accurate as to the cases that would go beyond 180 days.

Mr. McEwen. Mr. Chairman, I have not and that is because anybody will come up with these figures based on where they said. As I said where you sit is based upon where you stand. You just heard the testimony a moment ago that those over 6 months were reduced by 2,500. Well, they have worked on those.

Is that number larger or smaller than it was 2 years ago. I submit it is probably larger. The important folks who are dealing with a limited number of staff at VA will go to OMB and say we need more people, we need more this or than and they turn them off. I see this bill crating a financial incentive to OMB to give the Veterans' Administration the tools to correct the problem. Computers can solve a lot of this. They have been dealing with computers there for years and they really don't have anything.

If you walk into a sub-basement in Hong Kong about this size of this table and you walk down three stairs and you purchase a handbag and pay for it with a credit card, by the time you get home there will be a bill with the list of what you paid, what the financial exchange rate was at that moment and it will be sitting there on your desk. If the whole world can function in that manner then I submit those files that are sitting there, that don't have to be reworked, that we ought to be able to process them.

Why do we not? Because the VA gets put at the end of the line year after year when they want new monies for processing and computers from OBM. If OMB is going top start writing these checks, they will say how do we solve this and then Derwinski and company can say how you solve it, by upgrading this operation. Social Security does it in 30 days. We sit here a year and a half. It is conscionable.

So I have tried for 10 years and we are getting worse. We are worse now than we were 10 years ago. You and I have cared about this very deeply. So the quick answer to your question is, no, I have not. I will let OMB come up with the answers and the greater, the better.

If they say it is going to cost $46 billion to do this, then I will say you better come up with another alternative because Congress is ready to do something.

Mr. Applegate. I heard you say something about the quick Japanese Eastern check.

Mr. McEwen. This was Amex in New York.

Mr. Applegate. What percent in your bill or is there a percentage as to what would be paid? In other words, now, if you are——

Mr. McEwen. There would be a preliminary based upon the VA's request. I have not put in a minimum nor have I put in a maximum. My thought was that there ought to be a way they could estimate what they would be entitled top and begin making some sort of a payment. The idea that they will never have to repay that obviously is a little generous on our part.

I put it in as a bargaining point. Of course, Social Security, they would have to repay that later on. I suppose that might be where we are headed.

Mr. Applegate. You are here, expressing your concern. You are fighting for the veterans. You feel this process ought to get down to a much more reasonable level. I think what you are trying to do is

very commendable. Whether it sees the light of day, of course, is something else. We will have to go into that later.

Mr. Stump.

Mr. STUMP. Thank you, Bob, for your testimony. I would like to ask General Gray why he thinks it has been untimely. Believe me we hope we can get to the bottom of this.

Mr. MCEWEN. The statement, if we get this out of subcommittee, I think we will get much more attention from the number crunchers and green eye-shade people downtown who have been forcing them to work with a short staff. My heart goes out to the veterans. They see it. They know what is going on yet there are some 28-year old accountants down at OMB who don't share our compassion, I am afraid.

Mr. APPLEGATE. Mr. Spence.

Mr. SPENCE. I have no questions.

Mr. MCEWEN. Sir, you said it was good to have me back. It was a very difficult decision. I tried to fit the questions that I would have to give up all other positions. I know that Gerry Solomon who is ranking ahead of me was denied when he fought to maintain his membership on the Rules Committee so I had to accept that.

Mr. APPLEGATE. It is great to have two great leaders on the Rules Committee.

General Gray, I could ask if you want to comment on Mr. McEwen's testimony.

General GRAY. The Department has not yet been asked for an opinion on the legislation, but I would say that any legislation or any rules that would help us toward getting under certainly the 180 day outside window of filling claims would be welcomed. I have not studied Mr. McEwen's bill, so I cannot say that I endorse it or that I don't endorse it.

But what he is striving for I can subscribe to very easily, that is to get us off the dime and into the business of paying claims promptly.

Mr. APPLEGATE. Do you think you need incentives?

General GRAY. I don't think VA does, per se. Furthermore, the witness sayeth not. Not everybody is excited about getting checks to the veterans as the people in the Veterans Benefits Administration are. I am satisfied that our people want more than anything to get accurate decision made quickly so that the money that these veterans have already earned can be paid to them.

The VBA understands that it is not our money that we are giving away. It is money that we are holding in trust for disabled veterans who are eligible to receive it and that by taking a long time to get it to them we are holding their money.

They are having to carry the float while we have the money in our pockets. It is not the right way of doing it.

Mr. APPLEGATE. On your statement you indicated that the first national error rate report found a 97 percent accuracy rate?

General GRAY. Yes, sir.

Mr. APPLEGATE. Which means that there is a 3 percent error rate. We know that this is not an acceptable level but can you tell us, now that you have the means to track error rates on the national level, what do you plan to do to lower that error rate. Naturally you would want to get it down.

General GRAY. I would offer a couple of words and ask Mr. Hickman to correct me. The chief cause, in my judgment, of errors being made in the payments that we make to veterans is the relative lack of training on the part of our adjudicators. The adjudicators make mistakes. The younger ones on the job as adjudicators are likely to make mistakes. They are busy and harassed supervisors are more likely to let the mistakes go by.

It is in the function of training that I believe we stand to gain the most in the elimination of errors. Better automation, more things done by the machine, should also eliminate some of the errors that we make.

Mr. APPLEGATE. We do have a school now, don't we?

General GRAY. Yes, sir.

Mr. APPLEGATE. How is it doing?

General GRAY. I think it is doing well. Our people are happy with its product. It is not capable of taking all the new hires and cranking them through in time. Once a person leaves the school he is prepared to go to work but not prepared to be a supervisor or adjudicator.

Mr. HICKMAN. I concur with that. We think it takes a good year for an adjudicator to be at ease and do a journeyman's job. I would mention the error rate, this is the first time that we have had the error rate broken down by components, DIC, compensation, pension. We are studying that now. Our goal is to take whatever trends there are and feed that back into a mechanism so we can make corrections.

We want it not only to measure error rate but also to improve the system.

Mr. APPLEGATE. The Chairman, Sonny Montgomery, wrote to the Secretary of Defense on the matter or expediting the transfer of service medical records to the VA. What types of discussions have you had with your counterparts at DOD regarding the military service records?

General GRAY. Mr. Hickman is conducting those discussions so I think he can give you the better answer. I can say we are not at the point yet to have a final recommendation. It ranges all the way from arranging to get copies of medical records of discharge on to something I am not sure I would be opposed to and that is the VA taking over the National Personnel Records Center, so that our needs would be met there.

Gary, why don't you describe the discussions you are holding with Defense?

Mr. HICKMAN. In two parts. One is Section 502 of the Defense Authorization Bill, in which it is required for DOD to provide service medical records for those who are discharged for disability. We have been working with them to work out procedures by which those records can be transferred to the nearest regional office to which the veteran resides.

On the larger scale, we basically would like the records as soon as possible in whatever format that we can reach with DOD in order to provide the timely service which you are looking for and which we are looking for.

Mr. APPLEGATE. General, I have other questions but we want to try to remain with the 5-minute rule if we can. But we will submit

some questions to you which we do appreciate an expeditious response for our records.

General GRAY. And you will receive that. Thank you, sir.

Mr. APPLEGATE. Mr. Stump.

Mr. STUMP. General, thank you for your testimony. You made the statement that 35 percent of your adjudicators have less than 1 year experience. What about the 2-year people?

General GRAY. To 45 percent if you include the people with up to 2 years. 55 percent, we think, of our adjudicators are fully trained journeymen level adjudicators capable of doing the job. About 45 percent of them are at one point are into that second year of their training status.

Mr. STUMP. This indicates an incredible turn over. What happens to these people? Why are you not able to hold on to them?

General GRAY. It is not just turn over although there is turn over in certain places but the fluctuating authorized levels, the decline down through 1988 and then the slow upturn of capabilities along with normal retirements and getting a better job and getting perhaps in some cases—and I was not here as a part of it—frustrated that the workload of trying to do a good job has been frustrating enough for them to leave, the draw down, the new hire capability has caused to bring on a number of people without experience.

To reiterate as I pointed out, there are not any experienced adjudicators out there on the street for hire. They are not like doctors, nurses and lawyers and people who are already trained. They have to get their training in our organization. Can you make what I said made sense, Gary?

Mr. HICKMAN. I don't think I can improve on it. But since 1988 in the adjudication division we are up close to 400 bodies. That is one of the reasons that we have so many new people in here and why we have so many new adjudicators in training status.

Mr. STUMP. The VA suggested a pilot program to compare the regional offices in their approach. Would you comment on that? Would that help in any way?

General GRAY. Mr. Stump, I don't understand the question, I am sorry.

Mr. STUMP. I meant VFW, they have a pilot program to see how they operate.

General GRAY. I am sorry, I do not know about that. Do you, Gary?

Mr. HICKMAN. I do not. In the past we have looked at regional offices. I think we are in the process of considering allowing regional offices to try new and innovative things by which we can see if there is a better way to accomplish the mission.

Mr. STUMP. The VFW stated that they recommended that you make a comparison between five or six regional offices, comparing the delays to see if it is a regional problem or why it is a regional problem and what different approach could solve the problems?

Mr. HICKMAN. We do look at each regional office semi-annually as to how they are producing, their timeliness and quality, et cetera.

We do visit stations, normally once every 18 to 20 months. From that we do obtain an understanding of where individual stations

are having difficulties and provide suggestions based upon what we have learned from stations who are producing well.

That is an ongoing way we look at stations throughout the year.

Mr. STUMP. What percentage of your adjudicators are you able to retain over 5 years or above?

General GRAY. I don't have that answer. Could we answer that for you later?

(Subsequently, the Department of Veterans Affairs submitted the following information:)

There are currently 1,173 adjudicators, including trainees, in the Veterans Benefits Administration. Those with 5 or more years experience total 584 adjudicators and 99 percent of this group has 5 or more years experience.

Mr. STUMP. Certainly. I don't understand 35 percent having 1 year or less experience. Why so big a turn over? Is it a matter of pay or the benefits you are offering compared to other branches of the government?

General GRAY. Our authorization to hire has increased by some 25 percent in the adjudication field. We were in a depressed number authorized to us in 1988 and we have been allowed to hire up 500 or so people and they are still in that first 2 years of service, or a great many of them are.

I am as frustrated as you are, Mr. Stump, about the fact of the 35 percent. I don't think, though, that it is a turn over problem in the main. There are places, the big urban areas, when times are good there are better jobs working for the U.S. Government available to the quality of people that we have.

In the rural areas turn over is nil. Being an adjudicator for the VA is a good job as my deputy will tell you, in Muskogee, Oklahoma, where he came from. I don't believe turn over is the big thing, I am not sure.

Mr. HICKMAN. I concur with what General Gray said. Today with the economy down it is not so bad. People are coming to us in the urban areas seeking jobs with the government.

Mr. STUMP. Thank you both. We do have some questions to submit. My time is up.

Mr. HICKMAN. Thank you.

Mr. APPLEGATE. Mr. Spence.

Mr. SPENCE. General, talking about the backlog of cases and how long it takes to process a claim, I can remember if the case worker spends a lot of time getting these things through, sometimes the veterans die before they get through the claim process.

That is difficult to explain to somebody. What is the main reason for the length of time that it takes to process these claims, lack of personnel, the overwhelming number of claims that you have to process, a combination or those two or what do you think?

General GRAY. Mr. Spence, my investigation in trying to get an answer to the same question, the original compensation claim, really, its work falls into three areas. Part of it is the discussion with or correspondence with the veterans that we have when he initiates the claim and that is getting his information in, DD-214, proof of discharge. Whatever it is that he thinks makes him eligible to receive a claim and birth certificates and those things that are required. That is about one-third of the time that it takes to get a claim done.

About a third of the time is taken up in getting a physical examination for the veteran which is needed in most cases. If he is not a recently discharged veteran, if it is something dependent upon service some years back then a current VA physical is necessary.

The third factor, one third of the problem, is getting service medical records, the records from the time he was in the service into the hands of VA so that a connection, if it exists, between his military service and his current physical condition can be made, the service connection can be put together so that the claim can be paid.

From our portion, the portion that VA can control and affect primarily in there, a stable, well trained work force is the chief ingredient and the chief deficiency at the moment.

Mr. HICKMAN. May I add a couple of thoughts? We process or adjudicate more than 3.6 million issues a year. On an average we process those issues in 44 days on average. Those issues which we have to obtain evidence or information outside of VBA, that is the area in which it takes us the longest period of time in order to obtain the information and adjudicate the case.

Once we have all the evidence available, it does not take that long to adjudicate and inform the claimant. But obtaining that outside information, combining that with our internal thought process and decision making process, that is why it takes so long.

Mr. SPENCE. The Budget Reconciliation Act, the legislation we passed this year, how are they affecting the business that you have to do?

General GRAY. We estimated that it will add about 1 million adjudication actions to be conducted as a result of the budget reconciliation law.

Mr. SPENCE. Thank you, Mr. Chairman. That is all I have.

Mr. APPLEGATE. General, just thinking about the question that was asked of you awhile ago about the transfer of service medical records at all, it seems that it is a problem trying to get the record from DOD. There is a lot of delay.

You know they are shipped out to something like a clearing house where you can go to get them. It seems to me upon discharge why wouldn't it be right that a veteran's medical record automatically transferred to the VA? Wouldn't that be very beneficial and save time?

General GRAY. I will offer the personal opinion that it would. We have had discussions with the DOD on a number of things across the board. Defense has had some other things on its mind in the last few months that we can understand and we are not getting very far in our discussions. But the basic thrust from where the Department of Veterans Affairs is coming is that while a person is serving in the military, the Department of Defense is the cabinet agency that has the responsibility for him or her that the executive has. After leaving service the Department of Veterans Affairs has.

That strikes a little terror in the hearts of some minds. They say you want to start paying retired pay? I say, why not, we write lots of checks, we know how to do that. There are other aspects of that that need to come out. The answer to your question, I don't know of any reason why—there may be some good reasons I don't know

of—but I don't know of any reason why the next stop after a person leaves the military, his record should not go to the VBA.

Mr. APPLEGATE. Can that be accomplished by communication between the two.

General GRAY. It would by mutual agreement but I don't know how likely it is.

Mr. APPLEGATE. We could, of course, mandate it by statute.

General GRAY. Yes, sir.

Mr. APPLEGATE. And say that this be done within a certain number of days.

General GRAY. It could be.

Mr. APPLEGATE. We will take a look at it.

General GRAY. Sir, I don't want to leave an impression of negligence on the part of my colleagues in the Department of Defense. After all I spent more time there than I have here. But the medical record of a veteran after he leaves active duty is just not a very important piece of paper to the Department of Defense. The Department of Defense has aircraft carriers and tanks to worry about. But those medical records, they are my rifles and machine guns where I work. They are the tools of the trade so it might be useful to put them in the hands of a person who needs them badly.

Mr. APPLEGATE. Thank you, very much. It is good to have you here. We will look forward to seeing you on the next go-round.

STATEMENTS OF CLIFTON E. DUPREE, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA; JONATHAN GAFFNEY, NATIONAL LEGISLATIVE DIRECTOR, AMVETS; AND PHILIP R. WILKERSON, ASSISTANT DIRECTOR, NATIONAL AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. APPLEGATE. On panel one we have Clifton Dupree with the PVA and Jonahtan Gaffney, National Legislative Director of AMVETS and Philip Wilkerson, Assistant Director, National Affairs and Rehabilitation Commission of the American Legion.

STATEMENT OF CLIFTON E. DUPREE

Mr. DUPREE. Good morning, Mr. Chairman and members of the subcommittee. It is a pleasure and personal privilege to appear here today on behalf of the Paralyzed Veterans of America, PVA, a congressionally chartered veterans' service organization. PVA appreciates this opportunity to present our views concerning veterans' benefits.

I want to begin my conveying our gratitude for the time and effort you and your committee staff have devoted to these programs. We encourage you to engage in aggressive oversight of the compensation, pension, and insurance programs.

Based on comments provided by PVA National Service Officers located in the various VA Regional Offices around the country, I will discuss the current performance of VBA's adjudication process and provide some general comments concerning resources and managerial initiatives within VBA.

The most critical element in the mission of Veterans' Benefit Administration, in our view, is the ability of VA's Compensation and

Pension, C&P, Service to provide disability benefits to our Nation's veterans in a timely and accurate manner. For those eligible beneficiaries, whether they are service-connected or nonservice-connected veterans, DIC or pension widows, surviving parents or children, it is readily apparent that the administration's ability to deliver the check is as important as the public law that granted the benefit in the first place.

Mr. Chairman, the Independent Budget for Fiscal year 1992, which was submitted to the Congress earlier this year, describes in detail the current problems facing VBA, particularly in regard to staffing levels and the effects of an inadequate General Operating Expenses, GOE, account. It is not our purpose, therefore, to reiterate those statistics today.

The Independent Budget is a matter of record, and we continue to concur with the assessments and recommendations provided in that document. It is important that we emphasize the vital link between the GOE account and VBA's ability to carry out the laws that mandate delivery of the numerous entitlement programs under the Administration's jurisdiction.

Without adequate staffing levels, VBA will be unable to effectively accomplish its mission. Modernization alone will not provide the quick fix needed by VBA to restore good service to veterans over the next 5 years. PVA is certainly aware of the unfortunate consequences of a decade of neglect and dwindling VBA staff as the result of shortsighted budget cuts imposed by the Office of Management and Budget. As we wait for the onslaught of veterans filing claims from action of the Persian Gulf Operations Desert Shield/Desert Storm, and veterans entering the system due to military cutbacks, FTEE levels must reflect the fact that more veterans will need the comprehensive services offered by VBA.

Although there has been much debate surrounding the actual number of backlogged cases in VBA's Compensation and Pension Service, there can be no argument that many disable veterans must now wait, in far too many instances, between 9 and 12 months for the VA to respond with benefits.

For the PVA member who used to wait 3 months for a claim to be processed, current delays take on added significance as housing assistance, vocational rehabilitation, education, and employment opportunities are temporarily put on hold which each entity seeks out its own set solution to problem and delays.

Further, in assessing the overall problems facing the Compensation and Pension Service, today, one must realize that there is a critical interaction between the various service division within Department of Veterans Affairs. Declining number of veterans benefits' counselors, adjudication personnel, filed examiners, compliance surveyors, and others, collectively, affect one another in various ways. Due to Compensation and Pension Service's reliance on all of these services, the overall decline in VBA staffing has been reflected, most adversely, by those individuals responsible for making rating decisions and writing disability awards.

It is clear that decisions involving the allocation of limited federal funds will require a high degree of prioritization. Therefore, in order to improve the timeliness and quality of processing decisions, VBA, as never before, must raise its level of quality service, effi-

ciency, and productivity. PVA thanks you and the members of the subcommittee for your willingness to investigate the veterans' benefits program. This concludes my testimony. I will be happy to answer any questions you may have.

[The prepared statement of Mr. Dupree appears on p. 35.]

Mr. APPLEGATE. Mr. Gaffney.

STATEMENT OF JONATHAN GAFFNEY

Mr. GAFFNEY. Thank you, Mr. Chairman. AMVETS is grateful to you and members of the committee for giving our organization the opportunity to once again provide an assessment of the services provided by the Department of Veterans Affairs Veterans Benefit Administration, VBA. As with all veterans' service organizations, we have an acute interest in the operation and efficiency of the VBA and welcome the chance to offer our views on it.

In the testimony we provided to this subcommittee almost 1 year ago, we voiced our lament that the operation of the VBA continued to be unacceptable, specifically with regards to the timeliness of claims processing. Now, 1 year later, our opinion remains unchanged that the system simply is not keeping up with demand, and that the immediate future does not look any brighter. It is our opinion that all the effort the Department of Veterans Affairs has put into fixing the system has simply not produced the needed progress.

Because our intent—when requested to testify—is not to repeat old complaints or concerns, prior to the provision of this testimony to the subcommittee this morning we conducted a very informal and unscientific poll of approximately a dozen AMVETS National Service Officers. The intent of this survey—conducted over a 3-day period 2 weeks ago and covering every region of the United States—was to inquire into their impressions of the timeliness and quality of serviced provided by the VBA. While some of our officers voiced satisfaction with their regional offices and adjudication authorities, many did not. Of particular concern was the delay in receiving a decision on original Compensation Claims and Pension Claims which ranged from four to 9 months and the delay in receiving military medical records, which we just discussed, which ranged to upwards of 6 to 7 months. In addition, when asked to gauge the success of last year's decision to regionalize the provision of Chapter 30 education benefits, the response was decidedly negative. Yet, regardless of the level of satisfaction or dissatisfaction voiced by these AMVETS Service Officers in this brief poll, they were almost unanimous in feeling that the system was "bogging down" in terms of returning timely claims.

I will not go into our entire testimony at this time because you have a copy. I would like to mention it as in the 1992 , "A Nation's Commitment: A Matter of Honor Who Serve, Price of Peace," the fiscal year 1992 Independent Budget, which essentially states, as in the 1991 Independent Budget, that without increased staffing in the Veterans Benefits Administration our veterans will never see a long-term stabilization of the backlog of VBA claims let alone any significant reduction in processing times. As you are aware, the Persian Gulf War resulted in not only a tremendous military victo-

ry for our armed forces, but in a flood of legislation to aid our Nation's newest veterans—legislation which, if signed into law—will have a marked increase on the workload of the VBA. Add to this workload that which will accompany a 25 percent reduction in military personnel as a result of "downsizing" of the Department of Defense over the next 5 years and the Veterans Benefit Administration is facing a workload even greater than the one it faces—and can't keep up with—now.

It is again in AMVETS' opinion that increased regionalization—while possible an administrative benefit to overall VA Administration—is not a benefit to the veteran the VA was organized to serve. While we are supportive of co-location of Veterans Administration Medical Centers, VAMCs— and Veterans Administration Regional Offices, VAROs, when it is feasible, the overall rush to regionalization just pushes the concept of "service to veterans" that much further away.

The Congress knows first-hand that this nation is in the midst of a fiscal nightmare. There are seemingly limitless demands on severely limited resources and the operation of the Veterans Benefits Administration is no exception.

Testifying last week in front of Mr. Traxler was surely a sobering experience. The promise of increased automation is always welcome, but in the case of claims processing and adjudication there is no substitute for an experienced, well-trained VBA adjudicator and these people don't come free.

In closing, AMVETS wishes to again acknowledge the selfless dedication exhibited by an understaffed, overburdened Veterans Benefits Administration. Their efforts on behalf of millions of veterans is greatly appreciated.

We stand with this committee in attempting to find a viable, affordable, short term as well as long-term solution to the benefits processing problem within the VBA. We thank this committee for allowing us a chance to voice our concerns.

[The prepared statement of Mr. Gaffney appears on p. 43.]

Mr. APPLEGATE. Thank you.

Mr. Wilkerson.

STATEMENT OF PHILIP R. WILKERSON

Mr. WILKERSON. Good morning, Mr. Chairman.

The American Legion wishes to commend you for scheduling this timely hearing to consider the status of VBA's efforts to address the progressive deterioration in the level of quality and timeliness in regional office claims activities. Since this subject was examined by this subcommittee in July of last year, we are deeply concerned by the obvious fact that staffing in the regional offices, even with the current level of enhanced ADP support is unable to keep up with the present case load.

Modernization of TARGET and related systems, together with anticipated personnel savings and productivity increases have been central factors in the reduction in employment in the regional offices over the last 10 years. Recent budgets, while continuing this trend, have repeatedly acknowledged serious problems in the

timely processing of benefit claims and an increasing number of errors being made in the decision-making process.

Additional VBA staffing was included in the fiscal year 1991 budget to handle the workload imposed as a result of new due process and benefit legislation. However, no action was taken to directly address the need to improve timeliness.

We are now 6 months and more into the current fiscal year and it is apparent that the current staffing remains inadequate to stem the deterioration in timeliness. The existing staff are required to not only handle a growing backlog of cases, but other administrative and adjudicative responsibilities associated with changes in the law, VA regulations and policy, new management initiatives, implementation of the decisions of COVA and an increasing number of BVA remands.

In our statement, we cite examples from VBA's field station reports which show that as of the end of the second quarter of fiscal year 1991 the regional offices are able to complete fewer cases in a 90 days and 6-month time frame than they were in fiscal year 1990 and the decline in productivity has been dramatic.

At the same time as processing times have increased, so to have the number of mistakes or errors being reported by VBA. These involve such things as an improper grant or denial of benefits, mispayment of benefits, failure to take appropriate action, or develop the claim, or decisions based on incomplete evidence or questionable judgment. One of the principal factors contributing to the decline in quality is the fact that a significant number of regional office adjudicators are trainees. To some extent, this problem is also reflected in a continuing increase in the remand rate by BVA where additional development and adjudication is indicated.

Mr. Chairman, given current limited staffing resources, we believe there is a critical need for continued training as a way of improving not only the quantity but quality of work performed. This applies to adjudicators as well as in support activities. In addition, we believe productivity can also be enhanced with the full implementation of the AMIE system linking the regional offices and the hospitals.

In conclusion, under the Omnibus Budget Reconciliation Act of 1990, Congress allocated additional staff for VBA to handle the additional workload associated with recent legislative changes. However, no action was taken toward improving the current level of service being provided by the regional offices. We are pessimistic that without similar Congress concern and action the situation will continue to worsen. We do not believe this should be allowed to happen.

That concludes our statement, Mr. Chairman.

[The prepared statement of Mr. Wilkerson appears on p. 46.]

Mr. APPLEGATE. Thank you, gentlemen.

I appreciate your statements.

I don't know whether it was a pun intended when you said you were happy to see us holding this timely meeting——

Mr. WILKERSON. It was an unintended pun.

Mr. APPLEGATE. Quality, too.

Let me say there—we look at the delays in the regional offices and the Board of Veterans Appeals. Are you doing any kind of an

analysis that would assure your organization that you are not contributing to the problem itself?

There are a lot of times when we make a query to the Veterans' Administration about the status of a case. They say that it has been with the service organization for several weeks, and I suppose there are reasons for this.

I would urge you to, if there is any problems there, to get your organizational directions ironed out so that there wouldn't be any delay in getting papers on to the VA. You can comment on that and also, with regard to that you mentioned about the necessity for increased training and you say that the VBA Training Academy is a very good thing, which we agree.

But the national service officer is also an important part of that. What is your organization doing as far as training the national service officers during the past year or so?

Mr. WILKERSON. I would like to comment.

First, the American Legion, over the last 5 years, has been very actively engaged in providing formal training on a semiannual basis to all of our American Legion accredited representatives at the Department level who are stationed at the regional offices.

We have received invaluable support and assistance in this project from the Department of Veterans of Affairs, in particular the Compensation and Pension Service. They have provided for a substantial part of each school session with at least four instructors, some of whom have been instructors from their adjudication academy, to provide us with technical training in VA procedures, rating policy and administrative issues, and a variety of other subjects.

We have also had assistance and support from VHRSA in making available physicians to give us medical lectures to learn more about rating various disabilities. We believe that this, together with our emphasis throughout each school session on advocacy, improves the level of expertise and really the efficiency of our service officers in not only providing quality service to our veterans, but assisting the VA by submitting claims that are developed to the maximum extent possible prior to their submission.

The VA has a certain responsibility to develop evidence and information in a case. However, we would rather undertake that initiative at the beginning rather than leave it to the process to make up at a later date, which further adds to the growing workload. This has been one of our ongoing concerns and we will be making a continuing effort to train and improve the level of service of the Legion service officers.

Mr. APPLEGATE. Anybody else care to comment?

Mr. DUPREE. The PVA had the national service officers workshop the last part of April. We have constantly had continuation of training and worked directly with the VA to make things easier.

Mr. GAFFNEY. This week N. Woosley, our national service officer, is assisting our executive director in Louisville in a training seminar for 56 of our service officers. If you would be interested in getting a copy of that curricula, I could get you a copy of it to see what they are learning.

Mr. APPLEGATE. Let me ask each of you, since Congressman McEwen was here with his bill 141, find out if you have any par-

ticular ideas on this direction. It would be attractive to your members, obviously.

I won't know if any veterans out there would want to disagree with that. If so and if you do have support, what kind of a percentage would there be of disability and how would it be determined and also, the bill states that after you have made the interim payment, that it may be made for 6 or 8 months, then they go back and make a payment if it is approved. They forget about the money and start paying the full amount back from the time they made the mix or if it is rejected, there is no recovery. So there is an automatic loss of monies that goes back to the original application.

I wonder if you have support for it, if there is an estimated cost and if there is, where are you going to take the money from to pay for it?

Mr. GAFFNEY. Just a response.

Mr. McEwen's legislation is one of those feet-to-the-fire deals Veterans would love. It makes people responsible. Our concern is that there are no assurances that rushing up to the 6-month or 9-month deadline, that they wouldn't return a negative claim just to start paying a percentage of what the claim was supposed to be.

I don't see anything there to make sure that would not happen. It is a feet-to-the-fire type of thing that would wake up people because of the cost of it. Our concern is that Veterans might in the long run be treated unfairly in terms of claims.

Mr. DUPREE. We support the bill. I think the number one thing you need to remember is what the veteran considers to be disabled, how do you put a cost on a disability? It needs to be adjudicated as to cost of doing business. Like the General said, some of his supervisors overlook the fact that the adjudication has been done sloppily.

We need to change the way they do business.

Mr. APPLEGATE. We understand that. We are trying to find out because, we have to stay within the confines of the law so that the money has to be made available from someplace else or through new sources of revenue.

That is some of the problems that we have to look at. The idea is excellent and servicemen, of course, are going to jump up and down with joy about it.

Mr. WILKERSON. My only comment would be that the American Legion has not had a chance to analyze this proposal and give any thought to the potential cost at the very least. However, we would certainly support its intent, that service must be improved.

The question as to how to go about achieving this, certainly this would be a step in the right direction. One concern we would have or just a thought, is that there is no real agreement or consensus at the time as to what is an acceptable, reasonable standard for processing claims. Then in line with this proposal, what amount could and should be paid in the interim.

Should it be just a token amount? Any payments that were made requires action by the same personnel that are having to process their normal workload. So I am not sure that it would not in fact further contribute to the pending case load activity.

Mr. APPLEGATE. Mr. Stump.

Mr. STUMP. Thank you, Mr. Chairman.

Gentlemen, thank you for your testimony. Let me ask if you would like to comment on the possibility of consolidating some of the regional adjudication offices to a smaller number. Would that enhance the timeliness of the payment of the claims?

Mr. WILKERSON. Speaking for the American Legion, we are mandated to oppose any centralization of claims processing activities for the reason that we believe that in general it would deny veterans access to that process due to geographical inaccessibility. But I believe there are alternatives that could produce efficiencies in the processing of claims in certain stations, whether it is shifting of personnel or supervisory personnel. There is a variety of things that the VA could and should look at.

Mr. STUMP. Either one of the others—thank you, Mr. Chairman.

Mr. APPLEGATE. If the gentleman would yield, what about maybe coordinating some of it rather than consolidating or conforming or bringing together some of the functions of the different regions—what was it, the Denver Cheyenne situation where they didn't combine them, but as I understand it, they combined some of the functions so that where you might have more people over here that will be able to take care of one function, that the other didn't have the capability to do so—and that might help in expediting some of these or processing some of these claims.

Mr. WILKERSON. We would have no objection to that type of approach to the problem. Each station is independent. It is managed independently with the supervision of the Central Office. Improved supervision and administrative oversight can provide one level of support, but I think it boils down to the individuals that must handle those pieces of paper and make the necessary actions using the present computer system where it seems to bog down, just the sheer volume of cases and activities that are associated with processing each and every individual claim.

Mr. GAFFNEY. AMVETS is not against regionalization or consolidation when efficiencies seem to be the goal. Our concern is it might end up taking the veterans process a step further back for veterans. Some are good proposals and some aren't good at all.

It depends on what the consolidation is about.

Mr. STUMP. I don't think either one of us meant to eliminate any of these, nor to consolidate the regional offices into a few, but rather just add an adjudication process.

The original contact would still be made in the offices closest to home. Maybe we could concentrate on the people with the best equipment to handle the claims into a few areas, whether you thought that would help.

We were not advocating the closing of any regional offices.

Mr. APPLEGATE. You speak well for me. Mr. Spence.

Mr. SPENCE. Thank you, Mr. Chairman.

You have covered it all, except maybe a summary question, gentlemen. We have talked about all the problems we have and I think we have a problem. What would be your solution to the problem, in summary? More people?

Mr. GAFFNEY. General Gray just really summarized it saying you have to get good people, train them and retain them. Some of the numbers he was going over in the questioning about the turnover

in this type of skilled work, it is very difficult to cut into backlogs, to cut down processing times.

You don't have those kind of people.

Mr. DUPREE. Maybe they should get a handle on why so many people are leaving. Maybe by having that information they can create an atmosphere where people want to stay.

Mr. WILKERSON. I hate to keep repeating the same thing, but certainly the morale factor has got to come into play. The existing staff is under tremendous pressure. We feel that they need and deserve additional support. Certainly ADP will provide that on a limited basis. But I think it just boils down to, if you want a bottom line recommendation, something in the area of 700 additional FTEE, which would work out to be around $30 million. This is what is going to be necessary to just stop the downward trend in timeliness and in quality and begin the process of improving the level of service.

Mr. SPENCE. Thank you, Mr. Chairman.

Mr. APPLEGATE. Thank you very much, Mr. Spence.

Yes, thank you very much for appearing before the committee. We appreciate your testimony.

Mr. APPLEGATE. The next panel is Bruce Burgess, Associate National Legislative Director of the DAV and Bob Manhan, Special Assistant, National Legislative Service, VFW.

Welcome. It is good to have you before us. We look forward to hearing your testimony.

STATEMENTS OF BRUCE BURGESS, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS AND ROBERT MANHAN, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

STATEMENT OF BRUCE BURGESS

Mr. BURGESS. Mr. Chairman, if there is no objection, I am prepared to submit my written statement for the record and provide an oral summary.

On behalf of the more than 1.3 million members of the Disabled American Veterans (DAV) and its Ladies' Auxiliary, I wish to thank you for inviting our comments relative to the operation of the Department of Veterans Affairs (VA) Veterans Benefits Administration (VBA), claims adjudication process.

Mr. Chairman, for the past several years we have presented our views relative to the decline in timeliness in the adjudication process, as well as problem areas affecting the processing of compensation and pension claims.

These include, the decline of employees in VBA; the lack of adequate computer support for VBA; long delays in the receipt of service medical records; delays in receipt of VA compensation and pension examinations, outpatient treatment records and hospital records from VA medical centers; and the loss of trained employees to adjudicate VA benefit claims.

While it is not our intention to restate these same points, we do feel it necessary to discuss some statistics regarding the operation of VBA. There are disturbing trends in VA's claims adjudication. At the end of fiscal year 1990 only 27.1 percent of compensation

claims were processed within 90 days—compared to 43.5 percent in fiscal year 1983.

Also in fiscal year 1983, by the end of 180 days, 83.7 percent of claims had been decided; by fiscal 1990, the number had dropped to 69.8 percent.

Additionally, while the total number of adjudication FTEE has decreased from 4,183 in fiscal year 1983 to 3,733 in fiscal year 1990, the error rates in C&P decisions and authorizations has nearly doubled in most areas.

Mr. Chairman, in order to merely maintain the "status quo," the VBA claims adjudication FTEE level needs to be increased by 167 employees.

Mr. Chairman, in their fiscal year 1992 budget request, the administration acknowledges the problems in the claims adjudication area. However, they also seek a reduction of 300 employees in VBA at the same time. This makes no sense whatsoever.

As you know, we have consistently pointed to the lack of an adequate number of VA employees to process Veterans' claims as the major reason for VBA's inability to produce quality benefit determinations in a timely manner.

However, when looking at the employment levels at VBA's regional offices over the past 18 months, a disturbing fact is revealed: from September 30, 1989 to March 31, 1991, VA regional office adjudication staffing levels have risen by 348 FTEE, while the average time it takes to process an original compensation claim increased by 2 weeks to 171 days.

Mr. Chairman, we recognize that some of the additional FTEE at VA regional offices are being used to implement the provisions of last year's Omnibus Budget Reconciliation Act (OBRA). However, this fact does not fully explain the continued deterioration in VA's ability to timely process benefit claims given an increased number of FTEE.

Another disturbing statistic in VA's claims processing system deals with the appeals process. The average processing time of appeals at VA's 58 regional offices ranges from 172 to 623 days.

Mr. Chairman, a solution to the intolerable and ever increasing problems regarding the delivery of quality benefit decisions to our Nation's veterans in a timely manner must be found.

While some claims are adjudicated in a matter of months, others can go on for years. A different approach to solving the problem in VA claims adjudication is needed.

DAV believes that Congressman Bob McEwen's bill (H.R. 141) which defines, in law, timeliness standards, is a viable solution to this problem.

H.R. 141 would establish strict timeliness requirements on VBA. The bill is not complicated. It directs that timeliness standards should apply to all compensation, DIC, and pension claims as well as ensuring that a veteran found eligible for vocational rehabilitation and counseling services is served in a reasonable time. Appeals of an unfavorable decision would also be subject to a deadline.

This bill has teeth. It establishes needed incentives for the VBA to handle claims efficiently by providing for the payment of interim benefits to claimants in cases where the VBA could not meet the deadlines. However the case is ultimately decided, any interim

benefit paid to a veteran would not be subject to recovery by the Department.

By imposing this penalty, Congress can provide VA an incentive to develop quick, effective and fair claims adjudication policies and procedures.

Mr. Chairman, we ask Congress to define the minimum level of services it expects VA to provide in deciding claims, given existing budgetary constraints; and to periodically modify those expectations, as necessary and appropriate.

In the past, when VA has been unable to meet their service delivery goals, they have merely changed them.

In closing, Mr. Chairman, by placing in law clearly defined timeliness standards that VA must meet, the Office of Management and Budget (OMB) will be forced to provide VA with the resources necessary to fulfill their mission of providing America's veterans with quality benefit determinations in a timely manner.

This completes my testimony, Mr. Chairman. I would be happy to answer any questions you may have.

[The prepared statement of Mr. Burgess appears on p. 52.]

Mr. APPLEGATE. Thank you.

Mr. Manhan.

STATEMENT OF ROBERT MANHAN

Mr. MANHAN. It is my pleasure to represent the Veterans of Foreign Wars at your hearing this morning.

Our almost 3 million members have a keen interest in VBA's activities. I am accompanied by Bob Collins, also a VFW employee. He has many years of hands-on experience working in regional offices.

Now to address the questions that you asked; how timely and how good are the original claims being processed out of the regional office system? We pointed out in our written statement that about a third of a million cases, all original claims, are floating throughout the RO today. At least 11 percent of these cases are 180 or more days old.

In addition to that, almost 23,000 denied original claims took approximately 10 months to leave the regional offices to arrive at the Board of Veterans Appeals here in Washington, DC, so that the appellate process could continue.

In summary, we don't think the timeliness is very good. Now, to address the issue of quality. The VA's Central Office itself has identified about a 7 percent error rate over an 11-month period of time for original RO compensation and/or pension claims.

If we consider education claims and burial claims, that error rate does differ. When I look at the 22,000 or 23,000 appeals cases that were originally denied throughout the RO system, we know that the Board of Veterans Appeals (BVA) reversed the decision on almost 3,000 cases. This means some 13 percent of this total case load were decided erroneously against claimants in the ROs.

An additional 6,000 cases or a 27 percentile rate were returned to respective regional offices because VBA said there is not enough documentation or development here to decide for or against a

claimant. Part of this high remand rate may be attributed to the fact that the Court of Veterans Appeals is now a reality.

When we consider these two facts, the allowance rate and remand rate together, they show the BVA is turning back 40 percent of the work efforts initially performed at the regional office level.

Based on the timeliness and quality problems, we came up with three managerial recommendations. The first is that the VBA be authorized an additional 345 full-time employees, at a cost of $8 million to $12 million. In our judgement this is the manpower it will take to improve VBA services across their entire spectrum of responsibility.

The second recommendation is to ask Congress to consider the wisdom of allowing $6 million to $8 million of the $42 million already authorized for their stage 1 automatic data processing effort, to be immediately available for allocation in the early part of fiscal year 1992.

As we recall, the Omnibus Budget Act of 1990 placed a restriction on the $42 million for ADP by holding the money until September 1992. This action is going to push the automation effort back another year, and we don't think that works in favor of VBA.

The last suggestion is that we think the leadership of VBA itself should get out and look at their four or five poorest performing regional offices based on quality and timeliness, then look at four or five of their better performing ones.

We suggest taking a "quality circle" approach. I mean, discuss what is going on with the workers without the advantage of having the worker's immediate supervisors present. Then go over the same ground with middle management and then discuss the same problems with senior management, again without their subordinates being present.

We think there are several things VA itself could correct. We just don't see much help for VBA in the immediate future lacking senior VBA personnel taking a "hands-on" approach to their operation. Thank you, Mr. Chairman. This summarizes our statement.

[The prepared statement of Mr. Manhan appears on p. 58.]

Mr. APPLEGATE. Thank you.

Do you think the McEwen approach would be applicable to timeliness and quality? Is it a feet-to-the-fire, as somebody mentioned, approach that ought to be taken or should it be used as an implied threat that we are going to do it?

If so, how do you see—of course, the VBA has taken a strong position in favor of it. Since the Omnibus Reconciliation Act, we have got to find the revenues. We know that if anybody is eligible, we are going to find the money, on question.

That is not what we are talking about. It is where do you find the interim payment money is what we are looking at because you can't recover it. Once you pay it, that is it. It is gone. So it is a definite cost factor.

How do you determine the percentage of disability. There are a lot of questions that we don't know anything about it. The idea sounds good and I am sure veterans would be happy to know this and probably feel that it would certainly be a direction that ought

to be taken in order to force the VA to better timeliness and quality.

Do you have any ideas on that—Bruce can answer some of the specific questions, but does your organization have any position that bill?

Mr. MANHAN. We have not formally studied the bill, but I have had the advantage of listening to other people's comments on it and Mr. McEwen's comments.

The VFW would be generally in favor of improving the timeliness of claims. It is a positive-looking proposed piece of legislation. However, I would suggest to my own organization if I were the action officer to work up our position, that I am concerned with another aspect of the bill. It deals with erroneously paid money or a percentage of monies to a veteran and later found the veteran was not entitled to it. It would be poor policy, in our opinion to allow the veteran not to have to pay that money back, as H.R. 141 now states.

I can see this possibly becoming an issue working against the veteran community in a Jack Anderson type of story entitled "Veterans Rip Off The Government." That is not the intent of the bill. I realize that, but that would be one of my concerns as I would express it for the VFW.

Where would we get the interim money? Rather than interim money, as long as you are going to go through the process, why not pay what the veteran or claimant would be entitled to in the first place? And, if there are errors subsequently found, why not hold the people who do the job responsible to repay the money? The VFW would prefer to hold the individual VA employee responsible.

I say that tongue-in-cheek. But the VBA itself is funded at almost a half a billion dollars a year for about 14,000 people, almost a Marine division strength of personnel, to process almost $16 billion worth of comp and pension monies annually.

Certainly they have got to be held responsible for not doing first-class work. Why don't the people who do the shoddy work have that money come out of their incentive pay, their merit pay or something like that?

I realize I am getting into a very complex area here. But I would like to see more responsibility tied to the people who don't do good work just as we give incentive pay to those who are doing good work.

Mr. APPLEGATE. This isn't necessarily an unprecedented type of approach. In my area we have a lot of coal mines and we have what—a disease called Black Lung. If there is a claim filed against Black Lung, if the claim is against the company, in the lower courts they would approve that, then that claimant can receive interim payments and they would be paid back.

They could get whatever that amount was. I have seen it paid up to $40,000, plus they will get the full amount until the company has the right to appeal. If the company loses, of course, they keep it but if they don't, the claimant has to pay that back.

There are times when they have come in, they have spent the money and they have come in and taken their homes and it has presented a very serious problem. There is a program in existence,

however. It is a recoverable type of program. In this instance, there is no recovery, nor is there an offset.

Mr. BURGESS. We have addressed part of the issue on H.R. 141 in my statement. You have asked some specific questions about where is the money going to come from and how are we going to fund it. I think the idea here is that, hopefully, we would never have to fund it.

You would hold the VA's feet to the fire with this bill. They should try to get down to the social security level of 37 days for deciding the claims, we are only asking for 6 months. For those people entitled to benefits anyway, interim benefits represents money that they should have been paid anyway.

You get these cases—I had a widow's claim that I handled that started out in 1985. It wasn't finished until August of 1990. The widow had to wait 4 years for DIC benefits.

The death was determined to be service-connected. Meanwhile, we had to help the widow try and find alternative sources of income. These are not isolated cases.

When you start talking about timeliness, where do you draw the line? If she had been paid interim benefits, as it turned out she won the case, that is money she should have gotten all along. She was having to pay the mortgage and get loans to live on while waiting for the claim to be approved by the VA for 4 years.

That is something that we hope that the VA, itself, will take into consideration, but also OMB because, after all, VA can't do anything without the money to do it with. OMB can fund some of this, give them the people to adequately do their job. A few extra dollars to FTEE would save a fortune in interim payments.

We think that that is where the savings is going to come from. There won't be that much cost involved, if you start cranking the decisions out, do it quickly, pay a little over time and clear the backlog.

One question is how can you clear up the backlog? We had a problem when we thought we had thousands of Persian Gulf people coming back, what were we going to do with all those wounded people?

Luckily we did not have all those wounded people. However, Congress said we could have rehired retired VA medical employees. What about those retired adjudicators sitting out there? If it takes 2 years to train new adjudicators, why not bring back some of the retirees?

There are trained people out there. General Gray mentioned there are none. It is true they don't grow on trees, but the VA has trained some who are now no longer with the VA. Perhaps some of them could be brought back for a brief period of time to clear up the backlog.

These are some of the ideas that might be tried.

Mr. APPLEGATE. I hear this comparison of social security. I never seen a case that has been expedited in 37 days. They are very long. That is a question for another time.

Mr. Stump.

Mr. STUMP. Thank you, Mr. Chairman.

Gentlemen, thank you for your testimony. We know there are a lot of problems out there. It is inconceivable that it can take the

time it does, whether it is money or supervision or overtime, whatever it is, some way we are going to cure the problem.

I think there is a possibility with the interim payments. I think you will also have that element that may try to file trying to take advantage of some money knowing that they don't have to pay it back when they didn't deserve it.

Thank you.

Mr. APPLEGATE. Mr. Spence.

Mr. SPENCE. I have been thinking and asking questions about solving the problem and people tell me that we need more people. Then I see Bruce, you say, they can hire more people and the time went up even more. How can you account for that?

Mr. BURGESS. Some went to work on some of the OBRA parts such as IRS and Social Security Income matches and the incompetent veteran program and other things we are not prepared now to review with this committee—many were doing something other than claims. The new ones that were hired weren't trained. If it takes 2 years to train them up to some level of adequacy, they need to do something in the interim that will help the backlog.

Just throwing more meat into the battle is not necessarily going to win the war. You have got to have well-trained troops. Let's try to do something while we get them trained. I think the adjudication academy is a step in the right direction for the VA.

They are taking steps to have good adjudicators. However, until they reach the point that they have them in place, we need to try and do something to help them out.

Mr. SPENCE. Thank you.

Mr. APPLEGATE. Thank you, Mr. Spence. Thank you, gentlemen for coming before the committee.

Bob, always good to see you and, Bruce, we will look forward to seeing you in the future.

The Vietnam Veterans of America have submitted a written statement. Without objection, their statement will be included in the formal record.

[The statement of Vietnam Veterans of America appears on p. 64.]

Mr. APPLEGATE. With that, the committee is adjourned.

[Whereupon, at 10:40 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

STATEMENT OF

D'WAYNE GRAY

CHIEF BENEFITS DIRECTOR

DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

MAY 8, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE YOU THIS MORNING TO DISCUSS THE PERFORMANCE OF OUR BENEFIT DELIVERY SYSTEM AND OTHER ASPECTS OF OUR COMPENSATION AND PENSION PROGRAMS. I AM ACCOMPANIED TODAY BY MRS. RHODA MANCHER, THE ASSISTANT CHIEF BENEFITS DIRECTOR FOR INFORMATION RESOURCES MANAGEMENT, AND MR. GARY HICKMAN, THE DIRECTOR OF THE COMPENSATION AND PENSION SERVICE.

I WILL BEGIN WITH THE SUBJECT OF CLAIMS PROCESSING TIMELINESS. TIMELINESS, MR. CHAIRMAN, IS QUITE SIMPLY A MEASURE OF HOW LONG A CLAIMANT HAS TO WAIT FROM THE TIME HE FILES A CLAIM UNTIL HE RECEIVES A DECISION FROM THE REGIONAL OFFICE. THERE ARE SEVERAL COMPONENTS TO THIS TIME PERIOD. SOME OF THEM ARE UNDER OUR CONTROL, AND SOME ARE NOT.

THOSE AREAS THAT WE CAN DIRECTLY INFLUENCE INCLUDE THE TIME SPENT IN HANDLING THE CLAIM IN THE REGIONAL OFFICE SUCH AS EVALUATING EVIDENCE, REQUESTING RECORDS, ORDERING PHYSICAL EXAMINATIONS, AND PREPARING CORRESPONDENCE INCLUDING NOTIFICATION OF AWARD OR DISALLOWANCE OF CLAIMS.

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AREAS THAT WE CAN ONLY INDIRECTLY INFLUENCE INCLUDE OBTAINING RECORDS AND OTHER EVIDENCE FROM MILITARY SOURCES, FROM CLAIMANTS, AND FROM THIRD PARTIES. IN ADDITION, CHANGES MADE TO THE PROGRAMS WE ADMINISTER, AND NEW NOTIFICATION REQUIREMENTS HAVE ADVERSELY AFFECTED OUR TIMELINESS.

THE IMPACT OF DELAYS IN OBTAINING SERVICE MEDICAL RECORDS IS A SIGNIFICANT FACTOR IN THE TIMELINESS IN ORIGINAL COMPENSATION CASES. SIMILARLY, THE EFFECT OF THE INCREASED REQUIREMENTS FOR NOTIFICATION OF DECISIONS COMBINED WITH THE NEED FOR A RATING IN ALL DISABILITY PENSION CASES CAN BE SEEN IN THE DATA FOR LIVE PENSION AND NON-ORIGINAL CLAIMS. FOR EXAMPLE, DELAYS RESULT FROM PROCEDURAL CHANGES WE HAVE ADOPTED IN RESPONSE TO LITIGATION CHALLENGING THE ADEQUACY OF PROTECTIONS AFFORDED THOSE WHOSE BENEFITS WE PROPOSE TO REDUCE OR TERMINATE. IF A BENEFICIARY REQUESTS A HEARING WITHIN 30 DAYS OF A PROPOSAL TO REDUCE OR TERMINATE BENEFITS, NO ACTION CAN BE TAKEN UNTIL AFTER THE HEARING IS HELD AND ANY EVIDENCE SUBMITTED AS A RESULT OF THE HEARING IS CONSIDERED. THIS HAS LED TO AN INCREASED DEMAND FOR HEARINGS WHICH RESULTS IN LONGER PROCESSING TIMES.

IN EARLY FY 90 WE STARTED TO SHOW IMPROVEMENTS IN TIMELINESS FOR THE FIRST TIME IN A DECADE. THE IMPACT OF VARIOUS LEGISLATIVE ACTIONS HALTED THIS PROGRESS AND OUR CURRENT TIMELINESS IS ROUGHLY COMPARABLE TO THAT OF FY 89.

WE DO NOT ANTICIPATE SUBSTANTIAL IMPROVEMENT IN TIMELINESS UNTIL THE BUDGET RECONCILIATION WORKLOAD OF OVER 1 MILLION ADJUDICATIVE ACTIONS TAPERS OFF, AND OUR WORKFORCE STABILIZES AT ITS NEW STAFFING LEVELS.

IT IS NOT ONE SINGLE FACTOR, BUT THE COMBINED INCREMENTAL IMPACTS OF COURT DECISIONS AND LEGISLATIVE CHANGES THAT HAVE ADVERSELY AFFECTED THE TIME IT TAKES TO COMPLETE NEARLY ALL TYPES OF CASES. OUR CURRENT AUTOMATED SYSTEM CANNOT

PRODUCE THE KINDS OF LETTERS THE CURRENT NOTIFICATION PROCEDURES REQUIRE. THIS MEANS THAT WE HAVE TO PREPARE NOTIFICATION LETTERS MANUALLY. THIS HAS SLOWED THE DECISION AND NOTIFICATION PROCESS. HOWEVER, EVEN AS WE ACKNOWLEDGE THE LIMITATIONS UNDER WHICH CLAIMS EXAMINERS WORK, I HASTEN TO NOTE THAT THERE ARE TWO INITIATIVES TO IMPROVE LETTER WRITING BEING EXPLORED AT THE PRESENT TIME. BY THE END OF JUNE 1991, OVER HALF OF OUR REGIONAL OFFICES WILL BE USING AN IMPROVED OFFICE AUTOMATION LETTER LIBRARY. AT THE SAME TIME, WE ARE TESTING AN ALTERNATIVE AWARD AND LETTER PREPARATION SYSTEM FOR FUTURE IMPLEMENTATION.

MR. CHAIRMAN, I CANNOT OVERSTATE HOW IMPORTANT THESE SYSTEMS WILL BE TO MEETING OUR OBLIGATION TO OUR CLAIMANTS IN THE FUTURE. RECENT DECISIONS BY THE COURT OF VETERANS APPEALS, AS WELL AS BY CONGRESS HAVE SET STANDARDS FOR NOTIFICATION OF CLAIMANTS THAT COULD NOT BE MET WITHIN REASONABLE TIMELINESS STANDARDS WITHOUT THIS NEW TECHNOLOGY. AS ALWAYS WE ARE GRATEFUL FOR THE SUPPORT OF THE COMMITTEE IN THIS EFFORT.

BOTH TIMELINESS AND QUALITY HAVE BEEN DRAMATICALLY AFFECTED BY THE LEVEL OF EXPERIENCE IN OUR ADJUDICATION WORKFORCE.

THE GS 9 ADJUDICATOR POSITION IS ONE OF THE PILLARS ON WHICH CLAIMS ADJUDICATION RESTS. AT PRESENT 35% OF ALL ADJUDICATORS ARE IN GRADES BELOW GS-9 AND HAVE BEEN ADJUDICATING FOR LESS THAN ONE YEAR. THE LEVEL OF ADJUDICATION TRAINEES IN REGIONAL OFFICES IS THE HIGHEST IT HAS BEEN IN MORE THAN A DECADE, BOTH IN TERMS OF NUMBERS AND AS A PERCENTAGE OF ALL ADJUDICATORS.

AS I REPORTED LAST YEAR, WE HAVE IMPLEMENTED A NEW SYSTEM TO DETERMINE NATIONAL ERROR RATES FOR OUR MAJOR BENEFIT PROGRAMS. THE FIRST NATIONAL ERROR RATE REPORT COMPLETED IN APRIL 1991 FOUND OVER 97% ACCURACY IN THE CASES REVIEWED.

AS WE LEARN MORE ABOUT THE NATURE AND TRENDS OF ERRORS MADE IN ADJUDICATION, WE WILL BE ABLE TO MORE EFFECTIVELY ADDRESS THESE PROBLEMS THROUGH TRAINING AND THE ADVANCED TECHNOLOGY COMING ON LINE IN OUR MODERNIZATION PROGRAM, INCLUDING ENHANCED WORD PROCESSING AND AWARD PROCESSING.

SINCE THE TIME OF THE LAST OVERSIGHT HEARING, WE IMPLEMENTED AN INTERIM PROGRAM TO ATTUNE REGIONAL OFFICES TO THE NEED TO IMPROVE THE TIMEFRAME FOR PROCESSING APPEALS. WE ARE TRYING TO SENSITIZE OUR WORKFORCE TO TIMELINESS OF THE APPEALS PROCESS AS THE CLAIMANT VIEWS IT, FROM DATE OF NOTICE OF DISAGREEMENT TO DATE OF DECISION BY THE BOARD OF VETERANS APPEALS. TO THIS END, WE HAVE INCLUDED THE BOARD OF VETERANS APPEALS QUARTERLY REPORT ON PROCESSING TIME OF APPEALS ALONG WITH TRAINING LETTERS TO THE FIELD.

REGIONAL OFFICES USE THAT INFORMATION IN THEIR LOCAL ANALYSES TO HIGHLIGHT AND CORRECT DEFICIENCIES IN THOSE PROCESSING STEPS OVER WHICH THEY HAVE IMMEDIATE RESPONSIBILITY. WE WILL CONTINUE THIS INTERIM PROCEDURE UNTIL THE REVISED APPEALS CONTROL SYSTEM IS ON-LINE. IT IS SCHEDULED FOR ACTIVATION IN AUGUST OF THIS YEAR.

THIS NEW SYSTEM WILL HAVE MAJOR ADVANTAGES. IT WILL RECEIVE AUTOMATED DATA FROM OUR BENEFIT SYSTEM. THIS WILL ELIMINATE THE REDUNDANT INPUT OF DATA AND ASSOCIATED INACCURACIES. IT WILL PROVIDE BETTER ACCESS AND MORE DETAILED INFORMATION, ALLOWING MANAGERS IN ADJUDICATION TO TRACK AND MONITOR THE VARIOUS STAGES OF APPEAL PROCESSING.

WE ARE MOVING FORWARD IN IMPLEMENTING AMIE (AUTOMATED MEDICAL INFORMATION EXCHANGE). BY THE END OF JUNE 1991 ABOUT THREE QUARTERS OF THE REGIONAL OFFICES WILL BE ACTIVE WITH THEIR HOSPITAL COUNTERPARTS ON THE AMIE SYSTEM. ALL SHOULD BE ACTIVE BY THE END OF THE FISCAL YEAR. THE AMIE SYSTEM WILL IMPROVE TIMELINESS IN OBTAINING HOSPITAL REPORTS, AND IT WILL IMPROVE

RELIABILITY OF THIS INFORMATION EXCHANGE.

MR. CHAIRMAN, WE ARE MAKING PROGRESS. THE APPEAL CONTROL SYSTEM IS NEARLY READY FOR INSTALLATION. WE ARE TESTING AN EVEN MORE ADVANCED INTEGRATION OF AWARDS PROCESSING WITH A LETTER WRITING PACKAGE. THE AMIE SYSTEM IS MOVING FORWARD TOWARD FULL UTILIZATION.

OUR MODERNIZATION PROGRAM CONTINUES ON COURSE AND ON SCHEDULE. THE PROJECT IS WELL INTO THE FIRST STAGE OF THE THREE-STAGED MODERNIZED TECHNOLOGY ACQUISITION AND IMPLEMENTATION PROCESS. SPECIFICALLY, VBA HAS RECEIVED EXCELLENT RESPONSE TO OUR STAGE ONE REQUEST FOR COMMENT (RFC) REGARDING REGIONAL OFFICE TECHNOLOGIES. THE TECHNICAL SPECIFICATIONS FOR THE STAGE ONE ACQUISITION ARE NEARLY COMPLETED.

WE HAVE ESTABLISHED A TRANSITION TEAM TO FOCUS ON THE MODERNIZED SOFTWARE APPLICATION COMPONENTS AND HAVE INITIATED THE STUDIES NECESSARY TO DEFINE THE REQUIREMENTS FOR THE STAGE TWO ACQUISITIONS OF SPECIALIZED TECHNOLOGIES IN SUPPORT OF REGIONAL OFFICE OPERATIONS. THE STUDIES WILL BE COMPLETED SHORTLY AND IMAGE TECHNOLOGIES, WHICH WILL BE A CENTRAL COMPONENT OF THE MODERNIZATION BENEFITS DELIVERY SYSTEM, WILL BE ACQUIRED IN STAGE TWO.

AS THE NEXT STEP WE ANTICIPATE RELEASE OF THE STAGE ONE REQUEST FOR PROPOSAL (RFP) THIS SUMMER. THE CONTRACTS FOR PROCUREMENT OF STAGE ONE HARDWARE AND SOFTWARE WILL BE AWARDED IN THE FIRST HALF OF FISCAL YEAR 1992. THE STAGE TWO REQUEST FOR PROPOSAL (RFP) WILL ALSO BE RELEASED IN THE FIRST HALF OF FISCAL YEAR 1992. THE ANALYSIS OF STAGE THREE, CENTRALIZED PROCESSING, DATABASE ALTERNATIVES, WILL BEGIN THIS YEAR. THE TECHNOLOGIES CONCEPT FOR STAGE THREE WILL BE COMPLETED IN FISCAL YEAR 1992.

MR. CHAIRMAN, IN YOUR LETTER YOU ASKED ABOUT THE CONSOLIDATION OF REGIONAL OFFICE FUNCTIONS. WHILE WE ARE ALWAYS STRIVING TO

FIND WAYS TO BETTER AND MORE EFFICIENTLY SERVE THE VETERAN POPULATION, I CAN TELL YOU THAT THERE ARE NO PLANS FOR CONSOLIDATION CURRENTLY UNDER CONSIDERATION.

MR. CHAIRMAN, THIS CONCLUDES MY FORMAL TESTIMONY. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU OR THE OTHER MEMBERS OF THE SUBCOMMITTEE MAY HAVE.

STATEMENT OF

CLIFTON E. DUPREE, ASSOCIATE LEGISLATIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

OF THE

HOUSE COMMITTEE ON VETERANS' AFFAIRS

CONCERNING

OPERATION OF THE DEPARTMENT OF VETERANS' AFFAIRS

VETERANS BENEFITS ADMINISTRATION

MAY 8, 1991

Mr. Chairman and Members of the Subcommittee, it is a pleasure and personal privilege to appear here today on behalf of Paralyzed Veterans of America (PVA), a Congressionally chartered veterans' service organization. PVA appreciates this opportunity to present our views concerning veterans' benefits.

I want to begin by conveying our gratitude for the time and effort you and your Committee staff have devoted to these programs. We encourage you to engage in aggressive oversight of the Compensation, Pension and Insurance Programs.

Based on comments provided by PVA National Service Officers located in the various VA Regional Offices across the country, I will discuss the current performance of VBA's adjudication process and provide some general comments concerning resources and managerial initiatives within VBA.

The most critical element in the mission of Veterans Benefits Administration, in our view, is the ability of VA's Compensation and Pension (C&P) Service to provide disability benefits to our Nation's veterans in a timely and accurate manner. For those eligible beneficiaries, whether they be service-connected or nonservice-connected veterans, DIC or pension widows, surviving parents or children, it is readily apparent that the

Administration's ability to deliver the check is as important as the public law that granted the benefit in the first place.

Mr. Chairman, the Independent Budget for Fiscal Year 1992, which was submitted to the Congress earlier this year, describes in detail the current problems facing VBA, particularly in regard to staffing levels and the effects of an inadequate General Operating Expenses (GOE) account. It is not our purpose, therefore, to reiterate those statistics today.

The Independent Budget is a matter of record, and we continue to concur with the assessments and recommendations provided in that document. It is important that we emphasize the vital link between the GOE account and VBA's ability to carry out the laws that mandate delivery of the numerous entitlement programs under the Administration's jurisdiction.

Without adequate staffing levels, VBA will be unable to effectively accomplish its mission. Modernization alone will not provide the quick fix needed by VBA to restore good service to veterans over the next five years. PVA is certainly aware of the unfortunate consequences of a decade of neglect and dwindling VBA staff as the result of shortsighted budget cuts imposed by the Office of Management and Budget. As we wait for the onslaught of veterans filing claims from action of the Persian Gulf Operations Desert Shield/Desert Storm, and veterans entering the system due to military cutbacks, FTEE levels must reflect the fact that more veterans will need the comprehensive services offered by VBA.

Although there has been much debate surrounding the actual number of backlogged cases in VBA's Compensation & Pension Service, there can be no argument that many disabled veterans must now wait, in far too many instances, between nine and twelve months for the VA to respond with benefits.

For the PVA member who used to wait three months for a claim to be processed, current delays take on added significance as housing assistance, vocational rehabilitation, education, and employment opportunities are temporarily put on hold while each entity seeks out its own set solution to problems and delays.

Further, in assessing the overall problems facing the Compensation & Pension Service, today, one must realize that there is a critical interaction between the various service divisions within Department of Veterans Affairs. Declining numbers of veterans benefits' counselors, adjudication personnel, field examiners, compliance surveyors, and others, collectively, affect one another in various ways. Due to Compensation & Pension Service's reliance on all of these services, the overall decline in VBA staffing has been reflected, most adversely, by those individuals responsible for making rating decisions and writing disability awards.

It is clear that decisions involving the allocation of limited federal funds will require a high degree of prioritization. Therefore, in order to improve the timeliness and quality of processing decisions, VBA, as never before, must raise its level of quality service , efficiency, and productivity.

PVA believes the Veterans Benefits Administration has made progress in several key areas, and we congratulate the Chief Benefits Director and his staff for making the best out of a grim fiscal situation.

The VBA Training Academy, for example, continues to make improvements in the program. We are very optimistic that the graduates of the Academy will posses a standardized interpretation of the laws, regulations, and procedures that must be applied by them on a daily basis to an ever-increasing volume of complex disability claims.

With the winding down of Persian Gulf Operations and the forthcoming downsizing of military personnel over the next several years, we are hopeful that the success of the program will translate into improvements in both timeliness and quality of claims processing. PVA strongly encourages both full budgetary support for this initiative and ongoing oversight to ensure that, if necessary, expansion of the program may take place.

Obviously, modernization of VBA's automated data processing must continue to have total support by management. Certainly, the need to modernize in order to improve services to veterans, while reducing costs, is unparalleled in recent history. Both short and long term projects must be funded, fully developed and implemented. We believe VBA has made substantial progress toward ADP improvement in spite of funding inconsistencies. VBA employees continue to invest literally thousands of dedicated man-hours to automated technology.

At this critical point in the evolution of VA's ADP advancement, we are pleased that the Chief Benefits Director agrees with us - his expressed endorsement of the philosophy that ADP enhancements should not directly relate to personnel reductions which arbitrarily extract personnel cuts as the price to pay for using ADP technology. PVA believes it is important for VBA to strongly oppose reductions in FTEE as a trade-off for modernization. We believe there should continue to be a clear understanding by VBA management that a sufficient level of FTEE is the most important factor in restoring good service to veterans.

If reductions in FTEE are ever to take place, such reductions must not occur until good service has been restored through a combination of an adequately staffed work force and productivity gains resulting from interim and long-term ADP improvements.

Mr. Chairman, PVA supported the provision in Public Law 101-237 which required the Department to provide a brief summary of the evidence considered, and the reason for the decision, whenever a claim for disability benefits is denied. We believe this is an extremely important ingredient and fundamental part of every veteran's due process rights.

We understand that this provision, which became effective February 1, 1990, is taking a toll on VBA's ability to provide timely responses to veterans' claims.

Although we can appreciate the significance of this additional workload which has been placed on claims processing personnel, we do not believe anyone should have second thoughts about the wisdom behind the enactment of this provision. With large numbers of servicemen and women leaving the military, it will be especially important for VBA to have both a sufficient level of FTEE and sufficient degree of ADP technology to address this increased workload. Also we believe that, over time, the inclusion of this information in disallowance letters will be beneficial in improving quality and timeliness.

VBA must continue to work on improving correspondence quality by enhancing word processing capabilities and through other more sophisticated methodology by which personnel can "customize" letters while minimizing time and effort. VBA must aggressively pursue additional resources and staff to meet increased demands in the future.

PVA Survey

As a result of your letter of invitation to testify at this hearing today, PVA requested the comments of our National Service Officers (NSOs) who, located across the country, assist thousands of veterans and their dependents with VA claims every year. We asked

them to comment specifically on the timeliness of processing claims, the quality of decisions, and VBA managerial decisions which may improve the overall efficiency of claims processing. Although VBA is making progress in certain areas such as the Training Academy and testing of new ADP technology, it is clear from the remarks of these individuals, that serious problems still exist today in the Regional Offices.

Regarding the amount of time it takes for the Compensation & Pension Service in VA Regional Offices to process a claim, responses from the various PVA NSOs were both consistent and disturbing. Due to a variety of factors, waiting times ranged from between six months and a year for many disability claims. Some NSOs believed SCI claims took longer because of the seriousness and complexity of the claims. They suggested that additional training for cases involving Special Monthly Compensation (SMC) due to overdevelopment. The most frequently mentioned reasons for delays were:

1. Long delays in getting records from the military (National Personnel Records Center) and delays in receiving verification of military retired and severance pay.

2. Long delays in receipt of paperwork after it has been sent by the Regional Offices and VA Medical Centers. NSOs indicated that it takes between two and six months to get rating exams scheduled at the hospital and another two to three months to get the results of the exam back from the hospital. It often takes several requests before the medical center actually

performs the needed rating examination.

Regarding quality of claims processing, NSO's generally feel that VA's emphasis on "end products" takes a heavy toll on the issues of accuracy and quality. As in the past, it remains a concern of many NSOs that claims are often prematurely denied instead of being properly developed. Other trends in the area of quality include:

1. Lack of uniformity in the granting of the loss, or loss of use, of lower extremities and the extent of loss of bowel and bladder functions.

2. Inadequate examinations are frequently used for rating purposes. Cases must be more thoroughly developed.

3. Correspondence to veterans continues to be incomplete and unclear. Improvement in effective letter writing should be emphasized.

In conclusion, Mr. Chairman, PVA thanks you and the Members of this Subcommittee for your willingness to engage in aggressive oversight of the Veterans Benefit Programs. Mr. Chairman, this concludes my testimony. I will be happy to answer any question you may have.

SERVING
WITH
PRIDE

STATEMENT OF

JONATHAN GAFFNEY
AMVETS NATIONAL LEGISLATIVE DIRECTOR

Before the

SUBCOMMITTEE ON COMPENSATION, PENSION, AND INSURANCE

Of The

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

On

DEPARTMENT OF VETERANS' AFFAIRS
VETERANS BENEFITS ADMINISTRATION

MAY 8, 1991

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Mr. Chairman, AMVETS is grateful to you and Members of the Committee for giving our organization the opportunity to once again provide an assessment of the services provided by the Department of Veterans' Affairs Veterans Benefits Administration (VBA). As with all veterans' service organizations, we have an acute interest in the operation and efficiency of the VBA and welcome the chance to offer our views on it.

In the testimony we provided to this subcommittee almost one year ago, we voiced our lament that the operation of the VBA continued to be unacceptable, specifically with regards to the timeliness of claims processing. Now, one year later, our opinion remains unchanged that the system just simply is not keeping up with demand, and that the immediate future does not look any brighter. It is our opinion that all the effort the Department of Veterans Affairs has put into fixing the system has simply not produced the needed progress.

Because our intent -- when requested to testify -- is not to repeat old complaints or concerns, prior to the provision of this testimony to the subcommittee this morning we conducted a very informal and unscientific poll of approximately a dozen AMVET National Service Officers. The intent of this survey -- conducted over a three-day period two weeks ago and covering every region of the United States -- was to inquire into their impressions of the timeliness and quality of services provided by the VBA. While some of our officers voiced satisfaction with their regional offices and adjudication authorities, many did not. Of particular concern was the delay in receiving a decision on original Compensation Claims and Pension Claims which ranged from four to nine months and the delay in receiving military medical records which ranged to upwards of six or seven months. In addition, when asked to gauge the success of last year's decision to regionalize the provision of Chapter 30 education benefits, the response was decidedly negative. Yet, regardless of the level of satisfaction or dissatisfaction voiced by these AMVET Service Officers in this brief poll, they were almost unanimous in feeling that the system was "bogging down" in terms of returning timely claims.

In addition, we want to express our concern about one of the most unwieldy problems within the VBA -- the quality and accuracy of the services provided by the Administration's Veterans Benefits Counselors (VBC's). As the VA's "Customer Service Representatives,"

the information provided by these individuals (usually on initial contact with potential VA beneficiaries) is crucial to the proper and timely completion of a claim. It is occurring with greater frequency that information offered by VBC's is either inaccurate or unclear, thus causing unnecessary delay or additional work in the completion of a claim. We urge the VBA to continue the ongoing training provided to Veterans Benefit Counselors and expand upon such training if it is deemed necessary.

In regards to the overall operation of the VBA, there are some bright points on the horizon and AMVETS is more than willing to acknowledge them. First of all, we have heard some most positive reviews regarding the VA Adjudication Training Academy. No doubt this program is aiding immensely in providing the training and insight needed to perform the responsibilities of Senior Adjudicators and Rating Board Members. Second, we fully expect that the VA's continued march towards increased Automated Data Processing (ADP) modernization will help -- someday -- to make the entire benefits and adjudication process more efficient. VBA's ADP plan, as outlined in their recent publication, VBA Modernization Management Plan, is certainly ambitious and they should be given credit for taking on a process as long and arduous as ADP modernization. Finally, it must be noted that across the board we find Department employees display a great deal of professionalism and true concern for the veterans they serve.

AMVETS would like to take this time to reassert one of the recommendations made in the A Nation's Commitment: A Matter of Honor Who Serve, Price of Peace, the FY 1992 Independent Budget, which essentially states (as in the 1991 Independent Budget) that without increased staffing in the Veterans' Benefits Administration our veterans will never see a long-term stabilization of the backlog of VBA claims, let alone any significant reduction in processing times. As you are aware, the Persian Gulf War resulted in not only a tremendous military victory for our armed forces, but in a flood of legislation to aid our nation's newest veterans -- legislation which, if signed into law -- will have a marked increase on the workload of the VBA. Add to this workload that which will accompany a 25% reduction in military personnel as a result of "downsizing" of the Department of Defense over the next five years and the Veterans Benefit Administration is facing a workload even greater than the one it faces -- and can't keep up with -- now.

It is again in AMVETS' opinion that increased regionalization -- while possibly an administrative benefit to overall VA administration -- is not a benefit to the veteran the VA was organized to serve. While we are supportive of co-location of Veterans Administration Medical Centers (VAMCs) and Veterans Administration Regional Offices (VAROs) when it is feasible, the overall rush to regionalization just pushes the concept of "service to veterans" that much further away.

The Congress knows first-hand that this nation is in the midst of a fiscal nightmare. There are seemingly limitless demands on severely limited resources and the operation of the Veterans Benefits Administration in no exception. The promise of increased automation is always welcome, but in the case of claims processing and adjudication there is no substitute for an experienced, well-trained VBA adjudicator and these people don't come free.

In closing, AMVETS wishes to again acknowledge the selfless dedication exhibited by an understaffed, overburdened Veterans Benefits Administration. Their efforts on behalf of millions of veterans is greatly appreciated.

We stand with this committee in attempting to find a viable, affordable, short term as well as a long-term solution to the benefits processing problem within the VBA. We thank this Committee for allowing us a chance to voice our concerns.

STATEMENT OF PHILIP R. WILKERSON, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
MAY 8, 1991

The American Legion appreciates the opportunity to present its views on current operations of the regional offices of the Veterans Benefits Administration (VBA) with respect to the quality and timeliness in the processing and adjudication of claims for veterans', dependents', and survivors' benefits.

These issues were most recently examined by this Subcommittee in the oversight hearing conducted in July 1990, and we wish to commend you, Mr. Chairman, for scheduling this timely hearing to consider the status of VBA's efforts to address a number of long-standing problems which have over the last several years lead to the progressive deterioration in the level of quality and timeliness in its claims processing activities.

The Compensation and Pension Service, within the Veterans Benefits Administration, is responsible for the operation of the various programs of direct benefits for veterans, dependents, and survivors through 59 VA regional offices located in the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the Philippines. In FY 1991, it is estimated that these offices will initiate approximately 5 million claims actions involving the development of new and reopened claims; the award or denial of basic or additional compensation, pension, education or death benefits; adjustments to running awards due to changes in marital status, dependency or hospitalization; and other actions. Benefits payments are expected to total over $11.5 billion to some 2.3 million individuals.

Mr. Chairman, VBA continues to face a number of long-standing problems directly and indirectly related to the persistent decline in overall staffing in the regional offices. The American Legion has expressed our continuing concern to the Congressional Veterans Affairs Committees as well as the Congressional Budget and Appropriation Committees regarding personnel and equipment deficiencies in the regional offices and the growing need for appropriate resources to stem the reported deterioration in both the quality and responsiveness in the claims adjudication process. Fundamental to our concern is the fact that VA beneficiaries are, in the main, either service disabled, their dependents or survivors, or aged and infirmed. These beneficiaries are very much in need of the financial support and assistance being claimed, many on an urgent basis, to maintain themselves and their families. The American Legion believes very strongly that

they are entitled to and deserving of a system in which their claims will be adjudicated in a fair, expeditious, and correct manner. It is, therefore, essential that the Veterans Benefits Administration be provided the necessary resources and staffing support to ensure that benefit claims are decided in a manner consistent with the provisions of the law, regulation, and agency policy, and that payment of benefits due is made without untimely and unnecessary delays.

VBA's claims processing activities are heavily dependent upon a variety of ADP programs and equipment. The primary computer system is TARGET which links the regional offices and the data processing centers at Hines, Illinois, Philadelphia, Pennsylvania, and Austin, Texas. Over the last several years, VA has begun to develop and implement a long-term program of modernization to replace TARGET with a new computer system and related systems. The Twelve Point Modernization Program is expected to eventually result in a substantial improvement in productivity levels and service to VA claimants and beneficiaries. Other modernization goals include the achievement of substantial cost savings to the Federal government through the more effective use of personnel resources and improved accuracy in benefit claims processing to avoid or reduce mispayments. Toward these ends, The American Legion is supportive of VBA's ongoing efforts to modernize and integrate its ADP systems and programs. However, major equipment and program changes remain several years away.

In the interim, Mr. Chairman, we have become increasingly concerned by the obvious fact that staffing in the regional offices, even with the current level of enhanced ADP support, is unable to keep up with the present caseload. Additionally, Congress has recently enacted new due process and benefit legislation which has began to have a profound impact on claims processing times. As has been pointed out in past budget and oversight hearings, the persistent reduction in field office staffing has dropped employment from 6,000 FTEE in FY 1978 to 3,733 in FY 1990. This pattern of employment has been largely predicated upon personnel savings attributable to computer modernization as well as an anticipated decline rather than an increase in workload. Recent budgets have repeatedly acknowledged serious problems in the timely processing of new and reopened benefit claims as well as an increasing number of errors in claims actions.

The President's proposed budget for FY 1991 originally called for a net reduction of 20 FTEE in regional office personnel. As finally passed by Congress, it provided for an increase of 614 FTEE to help meet the anticipated additional workload associated with the notification and due process requirements of PL 101-237, the "Veterans' Benefits Amendments of 1989" and the benefit program changes included in PL 101-508, the

"Omnibus Budget Reconciliation Act of 1990." No action was taken to directly address the need to improve timeliness.

Mr. Chairman, we are now six months into the current fiscal year and from available VA data, it is apparent that the staffing resources remain inadequate to stem the deterioration in timeliness and at the same time handle the additional administrative and adjudicative workload requirements imposed by recent legislation, changes in VA regulations and policy, management initiatives, the implementation of decisions of the U.S. Court of Veterans Appeals and an increasing number of remands from the Board of Veterans Appeals.

As staffing has declined in recent years, processing times for almost all categories of claims have steadily risen. According to available data, in FY 1986 for example, the regional offices were able to complete action on 34.9 percent of initial disability compensation claims within 90 days or less. As of the end of FY 1990, only 27.1 percent were completed within this timeframe and as of the end of the March 1991, the percentage was only to 20.3. Completion of DIC claims has gone from 64.6 percent in FY 1986, to 58 percent as of the end of FY 1990, with an improvement of 3 percent as of the end of the second quarter of FY 1991. Over the same period, processing time for death pension claims has declined from 79.5 percent to 72 percent.

A review of data for the same categories of cases completed within six months or less, shows a similar pattern of decline, suggesting that it is taking longer and longer for the necessary development and adjudicative action to be completed, the claimant notified as to the disposition of their claim and any benefits due paid. In FY 1986, the regional offices were able to complete 79.6 percent of initial disability compensation claims within six months. At the end of FY 1990, final action was taken on only 67.8 percent and as of the end of the second quarter of FY 1991, this was down to 62.7 percent. Within the same timeframe, DIC claims went from 91.6 percent down to 85.2 percent at the end of FY 1990. However, there was about a 3 percent improvement by the end of the second quarter of FY 1991. Nonservice-connected disability pension claims have shown a steady decline, going from 90.3 percent in FY 1986 to 87.5 percent in FY 1990 and a current 83.3 percent. Death Pension processing times have fallen about 2.5 percent, to 94.7 percent, over this same period.

To put this data in terms of the level of service to veterans and other claimants, in FY 1990 it took an average of 151 days to complete an original disability compensation claim and as of the end of the second quarter of this fiscal year, it was taking 167.5 days. DIC claims required 94.4 days last year and for the second quarter of this year 100.4 days. Nonservice-connected disability pension claims went from 97.4 days to a

current 106.2 days. Death pension claims previously took 65.6 days and this has now increased to 69 days.

We believe the effects of inadequate staffing resources and, in particular, the loss of experienced field station personnel can also be seen in the types and numbers of errors being reported in the course of VBA's quality review program. One of the principal factors contributing to the decline in the quality of decisions being rendered on benefit claims is the fact that at least one-quarter of regional office adjudicators are in a trainee status. The types of mistakes being found include the improper grant or denial of a claimed benefit, mispayment of benefits, error in effective date, failure to take appropriate action on an issue, decisions based on incomplete evidence or questionable judgment, failure to fully develop the claim, and other deficiencies.

Another indication of a decline in the quality of adjudicative actions is a steady rise in the number of appeals being initiated by claimants who disagree with the regional office's decision on their claim. In FY 1990, there were approximately 74,000 appeals filed which was an increase of some 8,000 over the preceeding year. Additionally, of the cases considered by the Board of Veterans Appeals, an increasing percentage are remanded back to the regional offices for further required development and adjudication. In FY 1989, 22 percent were remanded. In FY 1990, the percentage had increased to 23.5 and as of the end of the second quarter of FY 1991, it stood at 26.5 percent.

The American Legion is supportive of VA's efforts to improve the level and quality of training to its adjudication personnel through the continued operation of the Adjudication Academy. This program is intended to help improve not only the expertise of the individuals responsible for developing and adjudicating benefit claims, but to also make them more productive. We believe the data showing the historical decline in the regional offices' ability to effectively respond to demands of the workload in a timely manner amply demonstrates the value and need for this initiative.

We also believe that some comment must be made with respect to proposed regional office staffing levels under the President's budget for FY 1992. The budget proposal acknowledges that additional personnel and program support was provided by Congress in FY 1991 to manage the additional workload associated with recent legislative changes. However, based on certain ADP modernization savings and productivity improvements, coupled with a projected decline in caseloads, there would be a modest increase of only 30 FTEE. In our opinion, this proposal is unrealistic and will not provide sufficient personnel or other resources to effectively halt and begin the process of reversing the steady erosion of quality and timeliness which has occurred in the recent years.

Mr. Chairman, your letter of invitation requested comment on any management initiatives VBA ought to be considering to improve its overall efficiency with regard to veterans' claims. We believe there are some relatively minor administrative and procedural changes which could help the regional offices be more responsive to the needs of veterans and other claimants.

Our service officers continue to report problems and delays in processing due to peicemeal or unnecessary development of claims. In such situations, a claimant may receive a request or mutiple requests to furnish information or evidence which has been previously submitted and is of record, or the claimant is requested to develop information which is the responsibility of the VA to develop. In some instances, mail from claimants received by the regional office, such as EVR's, forms, evidence, etc., requiring administrative or adjudicative action may be drop-filed or misplaced causing a further delay in processing and unnecessary inquiries. While part of the problem may be due to a lack of support staff to physically handle the volume of incoming correspondence and to see that it is promptly and correctly associated with the claimant's records, we believe there is a critical need for improved training and supervision in this key area.

Another problem relates to the increasing volume of correspondence being sent to claimants. Some of these letters are factually incorrect, repetitive, or uninformative. In response, the claimant will often call or write the regional office, their Congressman or Senator, or a service organization for a clairification or explanation. This type of situation creates additional and unnecessary work. Increased attention should be given to the letter writing program to ensure that correspondence is accurate, informative and not sent more often than is actually necessary.

One of the chronic bottlenecks in the development and processing of many disability claims is in the receipt of medical information and reports from the VA medical centers, to include C&P examinations, admission and discharge notifications, hospital and outpatient reports. The Automated Medical Information Exchange (AMIE) program has been implemented on a limited basis and was to have been fully implemented by the end of the second quarter of this year. It has the capability to speed up the communication process between the medical centers and regional offices. We strongly urge that VBA and VHRSA consider ways to fully implement the AMIE program systemwide as quickly as possible.

In conclusion, we believe that those seeking benefits and services under programs administered by the Department of Veterans Affairs are entitled to have their claims acted upon in a reasonable and timely manner. In reality, veterans and their families

have been forced to wait longer and longer for needed benefits and services because there are simply just not enough staff in the regional offices to keep up with workload demands placed upon them. Recent budgets, including the President's proposal for FY 1992, identify and concede a steady deterioration in the quality and timeliness of regional office claims processing and related activities, but continue to defer any action to directly address these problems. Although Congress included additional staffing for FY 1991, virtually all of the increases were specifically allocated to handle the additional workload imposed by the deficit reduction provisions of OBRA and other legislative mandates, rather than to improve current service. The American Legion is pessimistic that without similar Congressional concern and action to increase the staffing levels in the regional offices timeliness will continue to worsen. Repeated efforts to hold down personnel costs have ignored the fact that poor quality in the claims adjudication process increases overall program costs because of more frequent overpayments, appeals, and other unnecessary actions.

Mr. Chairman, we hope that at this time next year we can report a positive change in the level and quality of service VA is providing to our veterans and their families. That concludes our statement.

STATEMENT OF
RICHARD F. SCHULTZ
ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION & INSURANCE
OF THE
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
MAY 8, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the more than 1.3 million members of the Disabled American Veterans (DAV) and its Ladies' Auxiliary, I wish to thank you for inviting our comments relative to the operation of the Department of Veterans Affairs (VA) Veterans Benefits Administration (VBA), claims adjudication process.

Mr. Chairman, each year, for the past several years, we have presented our views to the Subcommittee relative to the decline in timeliness in the adjudication process. We have also pointed to a number of problem areas affecting the processing of compensation and pension claims. These include:

- the decline of employees in VBA;
- the lack of adequate computer support for VBA;
- long delays in the receipt of service medical records;
- delays in receipt of VA compensation and pension examinations, outpatient treatment records and hospital reports from VA medical centers; and
- the loss of trained employees to adjudicate VA benefit claims.

While it is not our intention to restate these same points, we do feel it necessary to again discuss some statistics regarding the operation of VBA.

In its report to the House Budget Committee on March 11, 1991, (House Committee No. 3), the House Veterans Affairs Committee again discloses some disturbing trends in VA's claims adjudication. This report reveals that at the end of Fiscal Year 1990 only 27.1 percent of compensation claims were processed within 90 days -- well below the minimum acceptable level of 35 percent established by VA.

Additionally, the Committee points out the relationship between the severe reduction in the number of adjudication employees and the timely delivery of benefit determinations and increased error rates in rating decisions and authorizations.

Finally, this report concludes that in order to merely maintain the "status quo," VBA claims adjudication FTEE level needs to be increased by 167 employees.

Mr. Chairman, in their Fiscal Year 1992 budget request, the Administration acknowledges the problems in the claims adjudication area. However, they also seek a reduction of 300 employees in VBA at the same time. This makes no sense whatsoever if one assumes that VBA's goal is to provide quality benefit determinations to our nation's veterans in a timely manner.

As you know, we have consistently pointed to the lack of an adequate number of VA employees to process veterans' claims as the major reason for VBA's inability to produce quality benefit determinations in a timely manner. And, the above mentioned numbers seem to bear this out.

However, when looking at the employment levels at VBA's regional offices over the past 18 months, a disturbing fact is revealed: from September 30, 1989 to March 31, 1991, VA regional office adjudication staffing levels have risen from 3,596 to 3,944, while the time it takes to process an original compensation claim rose from 157 days to 171 days.

Mr. Chairman, we recognize that some of the additional FTEE at VA regional offices are being used to implement the provisions of last year's Omnibus Budget Reconciliation Act (OBRA). However, this fact does not fully explain the continued deterioration in VA's ability to process benefit claims with an increased number of FTEE.

Another disturbing statistic in VA's claims processing system deals with the appeals process. Among other things, a GAO Report dated May 9, 1990 (GAO/HDR-90-60) noted that the average processing time of appeals at VA's 58 regional offices ranges from 172 to 623 days. VA has indicated to us that they are working on a new system to better track veterans' appeals. Hopefully, this system will be in place in the near future. DAV, and I am sure those veterans whose appeals are pending at

VA regional offices throughout the country, look forward to great improvements in this area.

The Independent Budget (IB) for Fiscal Year 1992, prepared by DAV, AMVETS, PVA and VFW, outlines our assessment of VBA's service to America's veterans. And, as you might well imagine, it paints a bleak picture. On a positive note however, we do acknowledge and applaud VA's efforts in the area of Automated Data Processing (ADP). Once up and running, VA's ADP enhancements will greatly aid VBA's ability to provide a more timely benefit determination. The quality of written communications, as required by Public Law 101-237, should also improve.

Mr. Chairman, a solution to the intolerable and ever increasing problems regarding the delivery of quality benefit decisions to our nation's veterans in a timely manner must be found. It is painfully obvious to us -- and those veterans awaiting a decision on their claims -- that the efforts of this Subcommittee and those of VA managers have failed to correct this situation. Perhaps, a different approach to solving the problem in VA claims adjudication is needed.

DAV believes that Congressman Bob McEwen's bill (H.R. 141) which defines, in law, timeliness standards, is a viable solution to this problem.

In introducing an identical measure last year, Representative McEwen stated:

> "As many of you know, I have often expressed my frustration with the level of service accorded to veterans who file claims for benefits. Too often, these claims take too long to settle. While some claims are adjudicated in a matter of months, others can go on for years. We've held hearings on claims timeliness and quality, and we've covered the subject during budget discussions. The frightening statistics on claims backlogs within the Department of Veterans Affairs lead one to fear some claims may never be decided. That is inexcusable.
>
> It may be time to enact a law to require the Department of Veterans Affairs (VA) to do whatever is needed to speed up the processing of veterans' claims. I have grown tired of pleading with the VA to make internal improvements to become more responsive to veterans seeking vitally needed

services. Clearly, a statutory approach, with reasonable deadlines, should be explored.

Today, I have introduced the Veterans' Claims Administrative Equity Act of 1990 with that thought in mind. I hope the message is clear -- that it is time to get a handle on the delays and backlogs which have bogged down veterans' claims processing and denied benefits to deserving veterans. The Veterans Benefits Administration, for all its many hundreds of dedicated employees and automation, continues to fall short of the expectations of this Committee and, most important, the veterans it was established to serve.

Throughout the veteran population, it might be assumed that the level of service to veterans now yielded under the present system is the type of service that is intended by the Congress, and this Committee. That assumption ignores the present reality, because the system is falling short of my reasonable expectations and, I suspect, those of many of my colleagues.

We need to mandate veterans' claims reform. My legislation would establish strict timeliness requirements on the Veterans Benefits Administration. The bill is not complicated. It directs that an initial claim for benefits must be decided in 180 days from the date filed. That is not unreasonable. For initial claims that are denied and for which the claimant files a notice of disagreement, the Secretary of Veterans Affairs would be required to certify the case to the Board of Veterans Appeals within 180 days.

This bill has teeth, establishing needed incentives for the Veterans Benefits Administration to handle claims efficiently. It would provide for the paying of interim benefits to claimants in cases where the VBA could not meet the deadlines I just outlined. However the case is ultimately decided, any interim benefit paid to a veteran would not be subject to recovery by the Department. This small accommodation by the government cannot fully compensate for the uncertainty and hardship accompanying the veteran's long wait for service.

I would apply the proposed timeliness standards to all compensation, dependency and indemnity compensation, and pension claims. In addition, this legislation addresses

the problem -- not uncommon -- in which a veteran has been found eligible for vocational rehabilitation and counseling services and is not served in a reasonable time. In those cases where eligibility for these services is established and an interview with Department officials is delayed beyond 60 days, the Secretary shall arrange for this invaluable assistance through an accredited agency. These services enable veterans to reenter the workforce as productive citizens, a process that should not be hampered by bureaucracy.

I believe that a benefit or service to which a veteran is entitled is eroded considerably when it is not delivered in a reasonably timely way. My bill defines objectives for timeliness, in the interest of a larger goal: serving the deserving veteran.

The veterans' claim problem has not been a case of missed targets, because there have been no minimum satisfactory standards for which to strive. It is common sense that when you don't know what you're aiming for, you're probably going to miss the target."

In support of H.R. 141, the IB noted that this measure would serve several purposes.

(1) Recognize in equity and law that veterans and their survivors and dependents are entitled to have VA decide their claims within reasonable time limits;

(2) Compel Congress to define the minimum level of services it expects VA to provide veterans and their survivors and dependents in deciding their claims, given existing budgetary constraints; and to periodically modify those expectations, as necessary and appropriate;

(3) Provide equity in a meaningful way to individuals whose claims are unduly delayed through no fault of their own, and impose a penalty on VA if a claim is not decided within a specified time;

(4) Provide VA an incentive to develop claims adjudication policies and procedures that enable VA to use existing and planned resources to decide claims as effectively and fairly as possible; and

(5) Establish commonly-recognized standards of service delivery, which will enable Congress to discharge its oversight and appropriations responsibilities more effectively.

Mr. Chairman, DAV believes that the time has come for Congress to clearly define the level of service it expects the VA to provide to America's veterans. In the past, when VA has been unable to meet their service delivery goals, they have merely changed them.

By placing in law clearly defined timeliness standards that VA must meet, the Office of Management and Budget (OMB) will be forced to provide VA with the resources necessary to fulfill their mission of providing America's veterans with quality benefit determination in a timely manner.

In closing, Mr. Chairman, I wish to again thank you and the members of the Subcommittee for your continued advocacy on behalf of America's veterans -- especially those disabled while serving our nation and its military forces. DAV looks forward to working with you and the Administration in an effort to provide quality, timely benefit decisions to America's deserving veterans

This completes my testimony, Mr. Chairman. I would be happy to answer any questions you may have.

STATEMENT OF

BOB MANHAN, SPECIAL ASSISTANT
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION, AND INSURANCE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

AN OVERSIGHT HEARING ON THE OPERATION OF THE DEPARTMENT OF VETERANS' AFFAIRS (VA) VETERANS BENEFITS ADMINISTRATION (VBA).

WASHINGTON, D. C. MAY 8, 1991

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to appear here this morning. It is my privilege to represent the 2.9 million members of the Veterans of Foreign Wars of the United States (VFW). This figure includes the members of our Ladies Auxiliary who are also keenly aware of, and very much interested in, this subject.

The VBA is "big business" when we recall its responsibility is to process all benefits and services for compensation of: service-connected disabilities; pension for aged, needy, and totally disabled veterans; vocational rehabilitation assistance; education and training assistance; home buying assistance; estate protection services for veterans under legal disability; information and assistance through personalized contacts; six life insurance programs; and collecting the outstanding debts owed to VA. This broad range of benefits and services is administered through 58 regional offices (RO's) or combined medical/RO centers located throughout the continental United States, Hawaii, Alaska, Puerto Rico, and the Republic of the Philippines. About 10 to 12 million veterans and/or dependents participate in one or more of these services.

To perform its missions in the coming fiscal year the Administration has requested an FY 1992 VBA budget of approximately $572,600,000 for 13,140 full time employees (FTEE). The VFW does not believe this is enough money or enough people to perform all their required tasks in a professional manner when we consider the fact that at the end of March there was a total of about 364,000 cases throughout the RO system. About 41,475 of these cases are at least 180 days old and still not processed. But in fairness to VA it should be pointed out some 12,500 of those "over 180 day cases" deal with claimed Agent Orange disabilities other than non-Hodgkin's lymphoma, soft-tissue sarcomas and chloracne. The lack of legislation and/or administrative guidelines on just how to process such claims as children born with genetic defects or lung cancer attributed to exposure to the defoliant Agent Orange will most likely keep these cases in a holding pattern for another year or two. If these cases are subtracted from the overall total there are about 29,000 cases that are still over 6 months old that presumably could be addressed immediately. We are also taking into account the $25 million Desert Shield/Desert Storm supplemental money. In fact this will, simply, allow the system to maintain its present level of service. To make this point VFW passed Resolution Number 633 entitled "Strengthen VA Adjudication Process" at our last National Convention. In summary it asks Congress to appropriate enough money so that VBA can be adequately staffed to process all claims and services in a timely and accurate manner. A copy of the resolution is attached to this statement.

The letter of invitation for this hearing asks VFW to comment on two topics. First, the current performance of the adjudication activity regarding timeliness of processing cases and the quality of decisions rendered. Second, thoughts on managerial initiatives that VA ought to consider to improve its overall efficiency with regard to veterans' claims. The VFW has elected to respond by addressing the VBA issues of:

- o proposed legislative changes,
- o adjudication actions, with emphasis on timeliness and accuracy,
- o computer modernization and,
- o suggested managerial initiatives.

PROPOSED VBA LEGISLATIVE CHANGES:

- o automatically index cost-of-living adjustment (COLA) to the Consumer Price Index (CPI).

The VFW does not support the concept of indexing compensation benefits automatically to the annual change in the Consumer Price Index (CPI). We believe it is in the best interest of disabled veterans and surviving dependents to retain the additional oversight function that both Congressional Veterans' Affairs Committees have historically provided.

- o to change the military service requirements for disability and death pensions from the present 90 days of service for a wartime veteran to at least 180 days of service during a period of war.

Based on Operation Desert Shield/Desert Storm, we believe future wars will continue to be violent but brief in duration. Therefore, a disability benefit or a death pension should be based on personal injuries suffered, to include death, during any time designated as a period of hostility. Therefore, the VFW does not support this suggestion.

ADJUDICATION ACTION

VA itself highlights the major VBA problems in Volume 4 of its FY 1992 Budget Submission by stating:

> In the last ten years, the FTEE in the Compensation, Pension, and Education program has been reduced by 35 percent. We continue to experience a substantial turnover in adjudicators that has affected our ability to improve timeliness and quality. At present approximately one-quarter of all adjudicators are trainees... Compounding the problem, fully trained personnel are responsible for much of the training involved, resulting in additional time lost from production.

In 1979 the standard of timeliness was to complete 75 percent within 90 days. This standard has now been reduced to 50 percent complete within 90 days. It is a fact that at the end of FY 1990 (September 1990) only 27 percent of original compensation claims were processed within 90 days.

VA provides a Compensation and Pension (C&P) Timeliness chart that is a snapshot of all reopened C&P cases, plus original C&P cases completed within 180 days for an undated past 12 month period of time. The important thing to note is that in 1990 about 80 percent of all these cases were completed within 6 months of being submitted. The VA goal is to complete 97 percent of all cases within 180 days. Of these cases completed on average about 6 of every 100 contain either a payment or a service error.

Those cases appealed from the RO to the Board of Veterans Appeals (BVA) average another 10 months of processing time, about 296 days, within the RO before the case is forwarded to BVA. The best processing time for the first three months of FY 1991 (October through December 1990) was in Nashville, Tennessee, which was within 265 days. The greatest delay, 466 days, occurred in San Juan, Puerto Rico, followed closely by San Francisco, California's 404 days, and Denver with 374 days.

Based on our understanding of these facts the VFW believes most veterans are not being served in a timely manner by their respective RO's either when filing an original C&P claim or when appealing an adverse RO decision.

There is no published standard regarding the issue of quality that the VFW is aware of, but we firmly believe that VA's goal is to treat each and every claimant in a proper and equitable manner. By this, we mean every veteran will receive all the money he is entitled to, using the correct regulations and procedures.

We have already discussed the 6 percent error rate VA itself identified at the RO's for the 8 month period of time from October 1989 through August 1990. The VFW also considers the 2,918 cases that were "allowed" on appeal to the BVA during the period October 1990 to March 1991 as being improperly decided. This is a 13 percent allowance rate for the first half of this fiscal year. During this period of time a total of about 22,400 cases were appealed from the RO's to BVA. Some 5,900 cases, nearly 27 percent, of all cases were returned to the RO's because they did not contain enough meaningful evidence to make any kind of a decision. This means that 5,900 veterans' cases were returned to their home station for another complete "work-up" and, hopefully, a correct RO decision. We would like to think a remanded case, such as the ones discussed, would receive some priority over new cases that come in. When the BVA approved and remanded cases are combined we see that some 40 percent of the RO's appeal work is either wrong or incomplete. The VFW believes this is a valid measurement of quality, also.

At the end of March 1991, about 38 days ago, 11 percent of all the cases within the RO system were over 180 days old and still waiting to be processed. To give a feeling for absolute numbers of cases by station there were between 1,500 and 2,000 at Atlanta, Cleveland, San Juan, Houston, San Francisco, Waco, and Washington, D.C.

Based on the above discussion of timeliness and quality the VFW firmly believes that the level of RO work must improve, and soon. In addition to the personnel problems VA itself has identified in its budget submission, we believe all cases denied at RO level must be better documented to stand the test of a review at both the BVA and Court of Veterans Appeals (COVA). COVA, a new agency, became operational in October 1989 and may account in part for the BVA remand rate of 27 percent during the first half of this fiscal year.

COMPUTERS FOR THE RO's

The VBA has $42 million in the FY 1992 budget to modernize its RO Automated Data Processing (ADP) system. The overall thrust of this program is to use state-of-the-art technology to improve the delivery of benefits and services to veterans and their families. A major ADP goal will be to centralize VA data on each individual at the RO.

Starting in FY 1992 (October 1991) VBA is to initiate Stage I of this major effort. Specifically, Stage I will be used to make initial purchases of computer equipment and associated software, and start necessary training. However, because of the Omnibus Budget Reconciliation Act of 1990 there is a spending outlay restriction on this money. Therefore, no funds can be obligated or spent before September 1992, which is the last month of FY 1992. The fact that this major effort will be delayed for another fiscal year is very unfortunate, in our opinion.

MANAGERIAL SUGGESTIONS

All VFW comments are based on the following considerations:

- The present state of claims processing,
- VA's new requirement to provide 50 employees from the existing VBA staff to support a portion of the Transition Assistance Program (TAP),
- The expected increase in claims workload as the 228,000 military reserve and National Guard personnel who were called to active duty for Desert Shield/Desert Storm are deactivated, and
- Department of Defense's reduction-in-force (RIF) of a total of some 521,000 active duty personnel beginning this fiscal year. This program is to be completed in FY 1995.

To address the VBA personnel problem the VFW, the AMVETS, the DAV, and the PVA published our combined study entitled "The Independent Budget for Veterans Affairs for Fiscal Year 1992." We all recommended that an additional 345 employees be hired at a cost of about $12 million. Based on the above cited considerations, even this additional workforce will only allow the system to grind along at its present rate of overall timeliness and accuracy primarily because these new employees will lack experience and training. Also, more

effort and time is now required at the RO level to justify why an original claim is denied. Otherwise, on appeal, these cases will not meet the objective criterion of either the BVA and/or COVA, and we have the same case coming back a second time. In addition, we have mentioned the fact that there will be an increase in the claims area primarily as a result of the drawdown of Desert Storm personnel and projected DOD restructuring.

To address the ADP modernization we ask Congress to take necessary action to authorize VBA to spend about $6 million to $8 million of the frozen $42 million for Stage I of ADP modernization early in FY 1992. This relatively small amount of money should be used to establish a few pilot programs. This has the advantage of giving VBA time to work out the electro-mechanical problem and actually train at least one full cycle of personnel on the system.

Regardless of when Stage I will actually begin, the VFW believes VBA should now develop a rationale for prioritizing which of the RO's will receive the new equipment and training first. We strongly recommend consideration be given to those stations that are presently servicing the largest veteran populations based on annual workload figures.

Last, we address the extremely important question of why it takes, on average, about 10 months for the RO's to forward an appealed case to BVA. The VFW recommends the top level of VBA management tackle this sensitive issue. We suggest a few interviews be held at the "worker level" without the benefit of a supervisor being present. This suggestion has the distinct advantage of pinpointing production bottlenecks. Many of these problems most probably will also apply to the initial claim process. We further suggest those 5 or 6 RO's with the absolute longest delay times be surveyed and those 5 or 6 RO's with the shortest delay times be evaluated. In sum, this is the "quality circle" approach used so successfully by the private sector. We firmly believe there are some internal VBA administrative procedures that can and must be improved upon.

This concludes the VFW statement. I am prepared to answer any questions the committee or you may have Mr. Chairman. Thank you.

Resolution No. 633

STRENGTHEN VA ADJUDICATION PROCESS

WHEREAS, the Veterans of Foreign Wars of the United States has continuously remained vigilant in demanding that the quality of medical care provided for the veterans of this nation and the timeliness in the processing of veterans benefits claim applications is strictly adhered to in administering those programs under the charge of the Department of Veterans Affairs; and

WHEREAS, recent reports issued by the VA Regional Offices indicate that the time lapse in the adjudication process in virtually all types of benefits claims has reached unacceptable proportions, and the disservice being provided to veterans and their dependents filing legitimate claims before the VA should not be tolerated; and

WHEREAS, because of budgetary cutbacks resulting from continuous shrinking of fiscal dollars over the past decade has eroded the employment of adequate personnel at regional offices throughout the nation in Adjudication and Veterans Services Divisions, particularly to the end that the timeliness factor in the completion of the processing of claims has reached ridiculous proportions; and

WHEREAS, the strongest of legislative efforts must be put forth by the Veterans of Foreign Wars of the United States to obtain the needed funding for additional VA staff to be employed on a full-time basis at each of the VA Regional Offices to stem the tide of the erosion of the lofty mission of the Veterans Benefits Administration in the servicing of the needs of the nation's veterans community; and

WHEREAS, due to budgetary and fiscal constraints peculiar to the federal fiscal system, it would appear that to accomplish the intent of this proposal would necessitate targeted funding in the VA appropriation specifically designed to increase the FTEE allocation to Regional Offices to alleviate this situation of untimely adjudication for VA claims; now, therefore

BE IT RESOLVED, by the 91st National Convention of the Veterans of Foreign Wars of the United States, that we petition the Congress of the United States to target funding in the VA appropriations sufficient to ensure adequate staffing to process all claims in a timely and accurate manner.

Adopted by the 91st National Convention of the Veterans of Foreign Wars of the United States, held in Baltimore, Maryland, August 17-24, 1990.

Resolution No. 633

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STATEMENT OF

VIETNAM VETERANS OF AMERICA

Submitted By

Paul S. Egan
Legislative Director

To the

House Veterans Affairs Subcommittee on
Compensation, Pension and Insurance

On

Operation of the Veterans
Benefits Adjudication System
and the Court of Veterans Appeals

May 8, 1991

VVA was for years the leading proponent of judicial review of VA adjudications. We need not reiterate those reasons for which we concluded that the system was broken and needed fixing. The U.S. Court of Veterans Appeals (COVA) decisions amply demonstrate that we were correct, among other things, in criticizing the DVA for:

1. Inadequate case development;

2. Disregarding certain evidence (e.g., usually the veteran's sworn testimony and other non-DVA supplied evidence);

3. Failure to respond to contentions;

4. Inadequate decisions that did not clearly articulate which evidence was rejected and which was accepted;

5. Relying on ex parte opinions of medical personnel sitting on decision-making sections of the Board of Veterans Appeals; and

6. Relying on "secret" (unpublished) rules.

To date VVA has been impressed with the clarity with which the COVA has begun to direct the VA to adhere to its longstanding obligations. The new Board of Veterans Appeals (BVA) chairman, Charles Cragin, has indicated that he will bring about rapid change at the BVA. For this intention, VVA is thankful. We just hope that wholesale change at the top can occur rapidly.

VVA, however, has serious doubt whether the message is reaching the other decision making parts of the VA body. It is our understanding that the rest of the VA adjudication system is unaware of the significance of important COVA decisions. We are informed of the following:

1. There are apparantly no personnel in the VA Central Office tasked specifically to analyze COVA decisions and distribute analyses, or the opinions, to affected adjudicators. Legal

consultants in the Compensation and Pension Service in VA Central Office do not receive copies of COVA decisions or any official guidance from their supervisors as to the meaning of these decisions. Some legal consultants in the Compensation and Pension Service have refused to do their work because they lack copies of relevant COVA decisions. Other VA Compensation and Pension legal consultants must go outside the VA to obtain copies and analyses of COVA decisions.

For example, Sawyer V. Derwinski, COVA No. 90-22 (Jan, 25, 1991) held that cases involving radiation exposure were being decided using an improper standard of proof. Yet, two months after that decision the legal consultants in the Central Office responsible for these cases had not been made aware of Sawyer.

2. To date, although VA Central Office has provided some information about COVA decisions, it has not provided any practical or official guidance to the regional offices. VA regional office adjudicators and rating board personnel are uniformly unaware of important COVA decisions.

3. In response to a question concerning what the Compensation and Pension Service has done to implement COVA decisions, the Director of the Compensation and Pension Service stated in part, that "COVA decisions are based on facts presented in an individual case and not on legal theory." This statement could be interpreted to mean that VA procedures need not change because of COVA decisions. The Compensation and Pension Service failed to identify even one COVA decision that had a general impact on the adjudication of compensation or pension benefits.

This position of the Compensation and Pension Service appears to contradict the position of the VA General Counsel. In a recent motion the General Counsel conceded that ". . . a precedential decision of this Court on any issue is binding on VA for all

present and future litigants who are similarly situated, whether or not the case is certified as a class action." Therefore, VVA suggests that the Compensation and Pension Service and the VA General Counsel increase their consultation and improve their communication.

4. The only source of information on COVA, according to many VARO personnel, is the non VA publication, The Veterans Advocate. VVA service representatives and other advocates have almost uniformly complained about the lack of knowledge of COVA decisions by the personnel in the VA regional offices. Some VA regional office adjudication officers have publicly stated that VA Central Office does not provide them with copies of COVA decisions. It is our experience that some VA regional office rating board members and hearing officers are also unaware of COVA decisions. Until this problem is corrected, the Veterans Judicial Review Act will not have its desired impact.

5. Similarly, there appears to be no coordinated VA policy to place within the Office of the General Counsel the authority to settle appropriate cases at the COVA stage of the appeal process. Rather than dispose of cases through compromise in the best interests of the agency and the claimant, the Office of General Counsel (OGC) has consistently taken the position that it has no authority to negotiate the details of an agreement with the COVA appellant that would be binding on the BVA or the Veterans Benefits Administration. This deference to other divisions within the agency by OGC at this level is inappropriate and inefficient. It interferes with the efficient use of agency resources and the resources of the claimant. Moreover, the absence of such authority in OGC fosters the climate exhibited thus far by the other divisions of the VA to either ignore or remain uninformed of the precedential nature of claims that are resolved at the COVA level.

In several instances the OGC has requested a remand to the BVA because an error of law occurred. In some of these cases the error confessed was significant and has far reaching impact if the conceded error applied to all cases. To our knowledge, these concessions of error are not being translated into agency-wide directives such as OGC precedential opinions.

For example, on February 20, 1991, the VA General Counsel admitted that the Board of Veterans Appeals misapplied regulations that deal with individual unemployability benefits to veterans rated seventy percent disabled. Essentially, the General Counsel admitted that a veteran with a service connected mental disorder is entitled to a 100 percent evaluation if the VA decides that his (or her) service connected mental disorder causes the veteran to be individually unemployable. Just as VVA believes that VA should get the message out to the regional offices about COVA decision making, we also believe that VA should inform the regional offices about motions of the VA General Counsel that correct existing procedures or misunderstandings of the regulations or the OGC should issue precedential opinions in those cases.

6. Circulers and directives continue to be promulgated without the clearance of the Office of General Counsel.

VVA believes that many veterans will have to exhaust precious energy and time appealing cases which could have been adjudicated properly following COVA guidelines. Others will simply abandon their claims out of frustration. Until the word that the world has changed reaches all parts of the DVA system, the great judical review compromise reached in 1988 will not have fulfilled the hopes of all of us who were involved -- including the members of this Committee.

As a general matter, VVA cannot really comment on timeliness and quality of VA decisions because there are no reliable statistics upon which to base any conclusions. The VA has yet to implement an independent quality review as recommended by GAO "Veterans' Benefits: Improvements Needed in Processing Disability Claims" (report, June 22, 1989).

Another management change would also help. While VA statistics would not look as good, overall decision making would improve. We recommend that VARO personnel be barred from claiming credit for case completion until the full appellate period has run. This will result in the VARO actually developing cases for the veterans which the COVA has called the "cornerstone" of the VA claims process and not just processing cases for work credit.

Mr. Chairman, this concludes our statement.

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

The Honorable G. V. (Sonny) Montgomery
Chairman, Committee on Veterans'
Affairs
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Enclosed please find the Department's responses to the follow-up questions which you forwarded on behalf of Congressman Bob Stump as a result of the May 8, 1991, hearing on the operation of the Department of Veterans Affairs' Veterans Benefits Administration and timeliness and quality of claims processing. Thank you for the opportunity to provide this additional information for the record.

Sincerely yours,

Edward J. Derwinski

Enclosure
EJD/flc

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSE

ANSWERS TO QUESTIONS
FROM MAY 8, 1991 HEARING
SUBCOMMITTEE ON COMPENSATION, PENSION, and INSURANCE

The DAV indicates that, although regional office adjudication staffing levels have risen from 3,596 in 1989 to 3,944 as of the end of March, the average time required to process an original claim for compensation has increased from 157 days to 171 days. Would you care to comment on this?

Our records indicate that as of the end of March 1991 the average time required to process an original claim had increased to 167.7 days. We believe a number of factors, in combination, are responsible for this increase.

One crucial factor adversely impacting on the timeliness of original claim processing has been the difficulty we experience in trying to obtain service medical records. We have noticed increased delays during the last year as the service departments diverted personnel normally assigned to providing military records to processing paperwork to activate reservists and national guardsmen for the military buildup in the Persian Gulf.

Timeliness of claims processing in general has been adversely impacted by the letter writing requirements of PL 101-237, enhanced due process requirements, and additional adjudicative requirements of the Omnibus Budget Reconciliation Act of 1990.

While additional staffing has become available to meet these increased processing demands, a significant amount of the staffing increases occurred during the last six months of the reported period. Adjudication Division staffing increased by 211 FTEE during the first half of FY 91 due to increased authorized staffing levels and the filling of positions left vacant by the end of the end of the FY 90 hiring freeze. Resulting training demands have required a significant amount of time from many of our most experienced employees. We believe time spent providing quality training to new employees is time well invested. We anticipate significant improvement in timeliness of claims processing as our new employees complete their training and gain experience.

On the subject of short term modernization initiatives, whatever happened to the bar coding system you had planned to implement? Do you still expect to achieve any savings in FTEE through its implementation?

The bar coding initiative called COVERS (Control of Veterans Records) is in progress and has been implemented on the Wang System at three sites: Roanoke, Cleveland, and Philadelphia Regional Offices. Claim and NOD (Notice of Death) folders have been barcoded at these sites and the folders can be tracked at any designated location within the RO. Two more stations are planned to be added this Summer: Washington DC and Phoenix Regional Offices. Initial first phase installation plans include a total of 12 stations.

We do not expect to realize any significant savings in FTEE by using this system. What will be gained is a workable system to track folders throughout the VA and efficiently handle all associated folder processing within the RO. COVERS will enable these regional offices to improve timeliness of services to veterans. User feedback has been positive and this application has:

a. Reduced search time;

b. Assisted RO's with controlling and tracking folders that are temporarily located at other VA facilities;

c. Provided additional security and tracking of specially classified folders;

d. Speeded processing of action mail for those folders that are out of file;

e. Provided management with additional information and tools.

Why is there such a large percentage of relatively inexperienced staff in the Adjudication Division? Is there a recruitment and retention problem we should be addressing?

The large percentage of inexperienced staff is based on increases in newly hired personnel and is not indicative of a nationwide retention problem. Recent increases in employment levels have allowed regional offices to recruit additional staffing for adjudication divisions. Unlike VHA which can draw its personnel from a readily available pool of trained medical professionals, VBA has no such source from which to obtain trained adjudicators and rating specialists. It takes anywhere from one to two years of training before a new adjudicator or rating specialist becomes fully productive.

On page 4 of your prepared statement, you indicate that 35% of all adjudicators have less than one year's experience. What percentage have less than two years? Three? Four? Five? What percentage of your personnel have at least 10 years adjudication experience?

The prepared statement indicated that 35% of all adjudicators are trainees. This means that they have not as yet reached the level of a fully trained GS-9 journeyman adjudicator. The classification of "trainee" generally means an adjudicator has less than two years of experience. Our most current automated report on the subject now indicates that the 35% figure has risen to 45%.

In order to analyze the experience level of our journeyman adjudicators, we contacted each regional office. Their reports indicated that 6% of all adjudicators have 3 years of experience, 4% have 4 years, 5% have 5 years, and the remaining 40% have 10 or more years of experience.

What is your current backlog of cases?

At our subcommittee hearing last July, you testified that there was a total pending workload of 392,000 cases as of September 1989. In your testimony today, you state that your current timeliness is roughly comparable to that of FY 1989. Does that mean that your pending caseload is still approximately 392,000?

As of April 30, 1991, there were 383,266 claims pending. Of these cases, over 12,400 were Agent Orange claims awaiting further regulatory guidance.

You have indicated that, by June, over half of your regional offices will be using an improved office automation letter library. Could you expand on this?

This question actually addresses two separate but related issues. The first is the letter library, the second is office automation. Our response addresses both and provides some background.

Our regional offices have two main computer systems, a Honeywell system and a Wang system. We use the Honeywell system for claims processing. The Wang system is primarily used for office automation purposes. There is no interface between the two and our claims processing personnel only have access to the Honeywell system. We are currently testing some computer hardware that functions as a switching device and will allow access to Wang word processing from a Honeywell terminal. When this enhancement (referred to as the Regional Office Gateway) is available to regional offices, all claims processing personnel will be able to use our new letter library.

As part of our efforts to implement the claimant notification requirements in PL 101-237, we installed Office Automation (O/A) software on the Honeywell mini computers in 34 of our regional offices during 1990. These offices handle over 80% of our claims processing workload. The O/A software gave claims processing personnel immediate word processing capability through their award processing terminals. At that time we distributed an existing letter library for interim use and advised regional offices to modify it to suit their needs. While that package provided some assistance in meeting the notification requirements, it did not satisfy our own expectations of a quality letter package.

Our new letter library (CPLIBRARY) is complete. Its text is clearly written, avoiding the legal and bureaucratic jargon that we were criticized for using in the past. The other critical ingredient in this new package is the improved logic paths available to adjudicators. We developed an efficient menu driven selection process to guide claims examiners through the various component texts stored in the library.

We initially designed the new library package to take full advantage of the Honeywell O/A software capabilities. It is extremely efficient, requiring minimal local maintenance. It is also very user friendly. All 34 regional offices with O/A installed on their Honeywell computers had this new letter library by June 1991. We have modified the decision processing logic used in the Honeywell O/A version of the library to fit the Wang system. The Wang version of this library will be available to all 58 regional offices by September 1991. Once the Regional Office Gateway is perfected, claims processing personnel at regional offices without Honeywell O/A will also have access to CPLIBRARY from their award processing terminals.

You have also indicated that you are testing an alternative award and letter preparation system. Would you please elaborate?

We are testing an alternate letter preparation system. We have nearly completed development of a Wang word processing version of our letter library. (Wang word processing is the standard package already installed and in use at all regional offices.) This will allow the other 24 regional offices to use the same letter library we developed for the Honeywell system. This capability is possible because we have developed a technical interface (or gateway) which allows our claims processing personnel to access the Wang system directly from their award processing terminals. The gateway will also allow us to reduce keystrokes by providing a means for moving selected data automatically from the claims processing system into the word processing document.

Please provide the Subcommittee with additional information about the Automated Medical Information Exchange program, also known as "AMIE".

How soon can we expect results of the impact of the activation of AMIE?

As of July 1, 1991, Phases I and II of AMIE were active in all but one regional office (a local system wiring problem presently prevents activation at VARO Los Angeles). Phase I allows regional offices and the medical centers serving them to electronically exchange admission information on hospitalized veterans. Phase II adds the electronic exchange of discharge information. This exchange facilitates timely adjustments to benefit awards affected by hospitalization. The computer program used to generate admission/discharge information is designed to address only those veterans whose hospitalization would require adjudicative action. This selection process saves manhours for both the medical administrative divisions and the adjudication divisions while reducing lost and erroneous reports. Phase III of AMIE will provide for the electronic transfer of examination information between regional offices and medical centers, saving mail time of 6 to 10 days (3 to 5 days each way) over the paper request (VA Forms 21-2507 series) method. Complementing the AMIE system is facsimile communication (FAX) equipment to provide ready exchange of data not currently stored in an automated data base.

By the very nature of AMIE we will see elimination of hard copy paper forms, mail costs, mailroom handling, claims folder pulls, and document filings. We will see a reduction in overpayments caused by mishandling of hospital admission notifications. We will also eliminate the controls and processing steps previously required for hospital admission notifications. We have already observed these benefits at our regional offices.

Have you explored the possibility of incorporating title 38 of the Code of Federal Regulations into an on-line system?

Yes. The title 38 CFR was recently offered and transmitted to us over our Office Automation system (Wang VS), and the feasibility of its potential use to our regulation writers, adjudicators and upper management personnel is currently being evaluated. System capacity and storage system memory necessary to store the 38 CFR is being reviewed, along with anticipated

utilization by VBA employees. There is currently a Departmental task force reviewing "Directives Automation", or the possible use of "on-line directives." Various agency manuals, publications and 38 CFR have been discussed as possible items for inclusion for this test that is currently being conducted by the Departmental directives staff (Records Management Service (723)).

On that same line of thought, could this be done for your manual provisions?

Yes. This has been and is being considered at the present time. Cost factors and potential utilization rates are being reviewed.

Although I am aware that the Administration has not taken a formal position on the bill introduced by Congressman McEwen, H.R. 141, what would be some of the potential drawbacks to this bill?

Potential drawbacks include:

A. May encourage making decisions on less than optimal evidence.

B. Would undoubtedly cause payment of money to those with no basic entitlement.

C. No indication as to how the level of benefits would be decided in the absence of certain vital information such as current medical examination, or income data in a pension claim.

D. Appears to assume "fault" in the original decision(s) in the event of remand, when, in fact, most remands and granted appeals involve differences of opinion rather than error.

E. Appears to place blame on VA for all delays, including those outside VA control, such as service medical records and numerous types of actions claimants take which delay claims and appeals.

F. Claimants may be encouraged to file frivolous claims, make allegations of the existence of extremely difficult to obtain evidence, or delay reporting for examination in the hope that interim benefits would be paid to them.

You speak of length of delays because of legislative initiatives in the due process and notification areas. Admittedly your initial actions will take a little longer, but have you assessed what you save on reconsiderations by doing a more complete job the first time?

We have noted a 16 percent decline in the number of notices of disagreement with VA decisions since the implementation of 38 U.S.C. 3004. We determined this percentage by looking at the number of notices of disagreement received for the twelve month periods preceding and following implementation of section 3004. While section 3004 has put a burden on employees preparing notifications of decisions, the improved notifications appear to have resulted in reduced appeals.

I applaud your efforts to better control the timeliness of each step in the appeal process. Should you not do the same for all claims processing? Is there any improvement we can help you with?

We are revising timeliness standards for all C&P end products based upon the reasonable amount of time it takes to perform each incremental step in the claims process. We also are establishing standards for individual end products in terms of average number of processing days. We feel this will be a significant improvement over the existing standard which is based upon percentage of claims completed in various age categories. Data has been obtained from several regional offices and is now being analyzed. We will soon provide the proposed standards to the Adjudication Advisory Committee for comments.

I am pleased to hear of the proposed ADP Modernization. How close are you to divorcing yourself from cycle processing?

Improvements to claims processing will evolve incrementally as a result of Modernization. The first improvement will occur this Summer when additional Compensation and Pension batch programs are migrated to the Modernization migration mainframe, an IBM 3081. The IBM 3081 operates four times faster than the Honeywell equipment and makes it possible to schedule the end of month cut-off for input to Treasury closer to the check delivery date. This will allow more transactions and changes to meet the regular payment schedule and will avoid an estimated $5 million, annually, in overpayments with each day we process closer to the check delivery date. For August and September of 1991, one extra day of processing will be available. In some months the calendar will allow us to add two or more processing days before cut-off.

During Fiscal Year 1993 delivery of equipment acquired by Stage I of Modernization will begin. In general, the highest priority for exploiting the capabilities of the new equipment will be assigned to improving the support for and timeliness of those activities leading to the adjudication of a claim and its entry into cycle processing. We believe that focusing on these functions will provide the most dramatic improvement in service timeliness and quality. Benefits from these developments will begin to appear in the 1993/1994 time frame. Actual elimination of cycle processing will occur approximately two years later.

You tell us there are no plans for regional office functions consolidation currently under consideration. How do you justify this current posture?

What is the status of your efforts to consolidate regional office functions? Since our committee has advocated consolidation to enhance the quality and timeliness of claims processing through a better flow of information, why haven't you pursued this endeavor?

VBA is striving to be the most responsive and best managed service delivery organization in the Federal government. In order to improve the quality, timeliness, and effectiveness of our services, we have in our strategic plan initiatives to evaluate consolidation in Education and Loan Guaranty services.

Chapter 30 education claims processing was regionalized to four (4) processing sites effective Fiscal Year 1990. An evaluation of this effort will be conducted and the determination of whether or not to reorganize or centralize processing of the remaining education chapters will be made upon completion of the analysis.

Currently an assessment of possible loan processing configurations is under study. Activation of a pilot effort is planned for Fiscal Year 1993.

On page 5 of your prepared statement, you indicated that the first National error rate report completed last month found over 97% accuracy in the cases reviewed. Last July the error rate which was reported at our hearing was 2.2%. Are you stating that it has risen to 3% since July? And, if so, to what do you attribute the increase?

The reported 97% figure was a rounded figure. The actual increase in error rate was from 2.2% to 2.9%. We believe that this increase resulted in part from implementing program changes and from the necessary incorporation of a large number of new, inexperienced employees into our claims processing system. We are addressing these areas by regularly identifying possible error patterns and providing additional instruction and/or reminders concerning those areas as well as continuing to assign a high priority to training our new employees. We also require a regular schedule of continuing training for our experienced employees.

It is my understanding that VBA's goal is to award benefits within 30 days to Desert Storm claimants. How is that progressing? How is this possible? And, how can you justify timely service to a single group of veterans?

Circular 20-91-2, dated January 18, 1991, was written during a time of crisis. When war broke out in the Middle East, we had to plan for the worst-case scenario. Because of the grave nature of the events taking place, VA felt an obligation to provide services and benefits as quickly as possible to the severely disabled veterans and to the surviving family members of those who died during the Persian Gulf War. VA has always given priority to claims from severely disabled persons or survivors of those who died in service.

We anticipate many severely disabled soldiers being discharged from service while they were still hospitalized at military and VA hospitals. Once discharged, they would be eligible for VA compensation. Because their medical records would be readily available from those hospitals, we believed we could award VA compensation within 30 days.

With immediate verification of death of a serviceperson from the Department of Defense, we felt we could process initial death awards within 30 days.

Fortunately, the worst-case scenario never happened. The few claims received from hospitalized servicepersons were processed expeditiously as were the claims we received from surviving family members of those killed in service.

Despite the fact that you are spending millions on modernization and automatic data processing equipment with no noticeable results, why shouldn't Congress arbitrarily initiate timeliness standards?

Existing timeliness standards require that a high percentage of claims be processed within specified timeframes. These standards ensure that the vast majority of claims are processed timely. However, there will always be individual claims that take longer to process for a myriad of reasons, many of which cannot be controlled by VA. For example, in addition to occasional problems in obtaining necessary evidence to adjudicate claims, VA is also required to follow strict due process and notification rules which can often delay completion of claims.

Currently, timeliness is monitored by referencing "standards" or "benchmarks" at one level and "goals" at a higher level. The "standards/benchmarks" require timely processing of most claims while the "goals" reflect what should be done under optimal conditions.

Imposition of arbitrary timeliness standards would still not guarantee that all claims would be processed timely. They could adversely impact the quality of actions by promoting final decisions based upon incomplete records.